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Enquiries to The National Archives, Kew, Richmond, Surrey, TW9 4DU;
email: psi@nationalarchives.gsi.gov.uk
The Commercial Secretary to the Treasury (Lord Sassoon): My Lords, the views of stakeholders, including the Green Alliance, are given serious consideration when formulating policy. The Government remain committed to increasing the proportion of revenue from environmental taxes. This needs to be balanced with ensuring predictability, stability and simplicity in the tax code. In Budget 2012 the Government further demonstrated their intention to meet their environmental commitments while reducing unnecessary administrative burdens.

Baroness Worthington: My Lords, I thank the Minister for his response. I imagine that, as a member of the “greenest Government ever”, the Minister will have warmly welcomed the Green Alliance’s recent report into using tax relief on savings products to bring about green growth. Will he comment specifically on the suggestion that those companies offering products that receive reduced tax relief should be required to adhere to the standards code, which is currently voluntary, and that there should be greater transparency in how they invest the money that is saved?

Lord Sassoon: I am grateful to the noble Baroness for confirming the green credentials of this Government. She raises an interesting point because, on the question of transparency, the Green Alliance report refers to all ISAs—so to a broader suite of savings products than merely green products. Any contribution to the debate about increasing transparency is to be welcomed. Other reports have been written recently about transparency around fees in particular, while this one is more about the transparency of the investments in the portfolio. I note that a number of green ISAs already on the market make a virtue out of the transparency that they offer. Generally this is an important debate but one in which the voluntary approach, backed up by the code that the noble Baroness refers to, is right.

Baroness Kramer: Would your Lordships agree that many individuals would like the opportunity to put their ISAs into sustainable investments? Is that not an argument for looking at the green investment bank as an opportunity? Are the Government considering opening up the possibility of investment into the green investment bank for institutions and individuals who could then use their ISAs in this way?

Lord Sassoon: First, it is important to recognise that there are at least 16 funds that I have been able to identify in the ISA space that are already green or ethical in their scope and branding. More generally, there have been lots of proposals for tailor-made ISAs, such as big society ISAs, small company ISAs, corporate bond ISAs, social investment ISAs and early intervention ISAs. There are a lot of worthy ideas around, all of which have their merits, but on the ISA brand we intend to keep it as simple and broad as it has always been. As for the green investment bank, as my noble friend knows, at the moment it has its initial capital for the next four years and is actively looking at its 21st project. In time it will be able to borrow, but not for the first four years.

Lord Davies of Oldham: My Lords, my noble friend Lady Worthington asked an extremely significant question—although she should note, in referring to this “greenest Government”, that irony is wasted upon them, particularly upon their Treasury Ministers. Why are the Government not investigating these matters with greater urgency? Why, for instance, is the relief on capital gains with regard to housing not tied to the energy efficiency of the house being sold? Why are the Government not pursuing strategies like that which would give reality to their somewhat disputed claim?

Lord Sassoon: My Lords, the private residence capital gains tax relief means that most people are not liable for capital gains tax on their main residences. If access to that relief were linked to energy efficiency improvements, not only would it override the broad policy aim of that relief—that people are encouraged to save for their house—but what about the large number of people who do not necessarily have the funds to be able to improve the efficiency of their homes? Is it really the position of the Opposition that capital gains tax relief on people’s main residences would be taken away if they were not able to afford efficiency improvements? That is certainly not the policy of this Government.

Lord Lawson of Blaby: My Lords, will my noble friend slightly contain his green enthusiasm? Is he aware that the Green Alliance’s headline for the paper to which the noble Baroness referred is “Save tax relief for low-carbon savings and investments”? It is arguing—it may be the view of the Opposition—that all reliefs for savings, investor start-up and business should be abolished except for those devoted to greenery, which should be increased. Will my noble friend confirm that that is not the policy of Her Majesty’s Government?

Lord Sassoon: My Lords, I can indeed confirm that that is not the policy of Her Majesty’s Government.

The Earl of Caithness: Would my noble friend also bear in mind, in response to the question asked by the noble Lord, Lord Davies, that what the noble Lord
proposed about greenness and efficiency would hurt hardest those in the country who do not have cavity walls but have solid brick or stone houses and no access to mains gas? It would penalise those in the country. That again shows that the Labour Party is very anti those living in the countryside rather than those living in urban areas.

Lord Sassoon: Apart from the fact that taking away people’s capital gains tax relief by linking it to green efficiency is absolutely not on the agenda, the key point here is that the forthcoming Green Deal—a world-first policy proposal—will mean that many people will be able to make their homes warmer and more efficient. That is what really matters. Of course we will be able to make their homes warmer and more efficient. That is what really matters. Of course we want to see more efficient homes, but there are ways to do that, and the Government have a policy.

**Eurozone**

**Question**

3.14 pm

*Asked by Baroness Falkner of Margravine*

To ask Her Majesty’s Government what is their assessment of political developments in the eurozone after recent changes of Governments.

The Minister of State, Foreign and Commonwealth Office (Lord Howell of Guildford): My Lords, the eurozone crisis is having a real impact on economic growth across the European continent as well as in Britain. Eurozone leaders have to do whatever is necessary to stand behind their currency and resolve the crisis. However, these decisions must be made in conjunction with the democratic wishes of people across the eurozone.

Baroness Falkner of Margravine: I thank my noble friend for that reply. Does he agree that conditions in several eurozone countries—huge rises in unemployment, particularly youth unemployment, and significant falls in living standards—are resulting in the rise of right-wing parties in particular, as seen in the most recent democratic elections, and putting democracy under strain? Will he tell the House whether the Prime Minister, when he next goes to the European Council, will support pro-growth measures, including additional funding for the European Investment Bank if necessary, so that European countries, as well as the UK, can get back on the right track?

Lord Howell of Guildford: My noble friend is quite right: youth unemployment is a blight and a very serious issue everywhere, not least in this country as well as throughout Europe and many economies in the Middle East. The problem is general. My noble friend raised two points. She mentioned the European Investment Bank and the possibility of expanding its activities. This is a possibility and may well be discussed. As a broader point, she posed the question of austerity versus growth, as though they were opposites. The reality is that this polarised choice is a complete myth. Unless we can control our budgets effectively and run them with fiscal discipline, there will be no growth. There will instead be still further inflation, undermining the very growth that we want to see. A balance must be struck. It is not a choice; it is a balance.

**Lord Liddle:** On this side of the House we welcome what the Minister said about being open to increased resources for the European Investment Bank. However, will he tell us whether the Government broadly agree with the growth agenda being pursued by the new French President, François Hollande? Does he draw from the spate of election results that we have seen the conclusion that austerity in the eurozone is reaching its limits? Given that growth in the eurozone was larger than ours in the past year, will he draw that lesson for economic policy at home?

Lord Howell of Guildford: Neither the noble Lord nor I know how the discussions between the new French President and the German Chancellor will work out. However, he has read the newspapers, as I have, and it is fairly clear that some aspects of both arguments will have to be taken into account. That will demonstrate the very point that I just made to my noble friend. The picture that has been painted of either austerity or growth is completely unrealistic. The reality is that there will have to be the discipline on which the German people and Government have led very strongly, and in which they believe for strong reasons connected to their history, combined with the necessity to erode youth unemployment and to create and restore confidence in investment. This is a balance that must be struck. We certainly hope that the leaders of France and Germany will, in their wisdom, strike the right balance and maybe convey to the people of Greece the necessity for this balance, from which there is no escape. There is no unrealistic choice between going one way or the other—you cannot.

Lord Forsyth of Drumlean: My Lords, given that we refused to join the euro because we believed it was an ill conceived project—

Lord Dubs: Gordon Brown!

Lord Forsyth of Drumlean: We, the British, refused to join the euro because it was an ill conceived project. Will my noble friend give an absolute assurance that not a cent of British taxpayers’ money will be spent on sorting out this shambles?

Lord Howell of Guildford: I can give an assurance that there is no intention of spending public money on precisely the eurozone problems that have to be sorted out by the eurozone Governments. Nevertheless, the world economy will be affected by the success or failure of these policies in Europe, and in supporting aspects of the world economy we are regular contributors to the IMF and have worldwide responsibilities. It may well be that we will contribute to maintaining those responsibilities.
Lord Barnett: My Lords, is it true that the Prime Minister said recently that the Government are committed to finding £1 billion, which would be very helpful in restoring confidence of some kind in the eurozone? Can the Minister confirm that?

Lord Howell of Guildford: I am afraid that I have absolutely no idea about a statement of that kind. I do not know where the noble Lord read it. Perhaps I may find it later. If it was said by the Prime Minister, I am sure that it is true but I do not think that it was.

Lord Dykes: My Lords, I thank the Minister for once again showing HMG’s resolute determination to help the eurozone leaders in solving this crisis and for ignoring the flimflam from the anti-Europeans. But, without giving instructions of course, would he give some friendly advice to the British press to restrain and reduce their hysteria on this subject of the eurozone crisis at a time when the United States 16 trillion dollar irreducible debt system, which is facing national default yet again, is totally ignored by the British newspapers?

Lord Howell of Guildford: It is not for me to advise the media on their priorities but clearly the eurozone crisis could have considerable impact on all economies in the region and certainly on the United Kingdom. We are right to be concerned about it and the media are right to examine it and to bring home—through their experts and commentators, in addition to the expertise already in this House—that if there are further difficulties and the problems in the eurozone are not resolved, it will certainly hurt the British economy as well. That is inevitable.

Lord Grenfell: My Lords, as regards those who are pleading for not one single cent more of British money to be spent on sorting out the problems in the eurozone, will the Minister bear in mind what the consequences might be if a newly elected Greek Government after the next elections wish to tear up all the agreements made, which would almost certainly provoke an exit from the eurozone leading to extraordinary problems for Greece? But the most important point, which has not been much discussed, is whether we are prepared to consider seriously the impact of a failed state in the Balkans and the probability that this will provoke a resurgence of nationalism in the region. It is the Balkans that we need to think about and not just Greece.

Lord Howell of Guildford: The noble Lord is right that there are serious political implications. He mentions the Balkans. One only needs to think of the problems facing Cyprus, for instance, and the whole south-eastern region of the Mediterranean. Further instabilities there on top of all the existing instabilities would certainly be against our interest. These things must be examined very carefully. But that is a different question from who steps forward with the financing for a problem which is strictly for the European countries to sort out and on which they are working now. But at the political level we fully recognise, as I am sure everyone does in this House, that serious political developments are ahead if the whole stability of the eurozone is not secured one way or another.

Immigration: Controls at Airports

Question

3.22 pm

Asked By Lord Dubs

To ask Her Majesty’s Government what steps they are taking to improve the efficiency and effectiveness of immigration controls at British airports.

The Minister of State, Home Office (Lord Henley): My Lords, the Government have announced several measures on these issues. National resources are being used flexibly to provide up to 80 additional staff at Heathrow every day. Mobile teams are deployable to assist with surges in passenger numbers and the skills and experience of staff are being maximised. Additionally, a border force is working with the airport operators and airlines to ensure that they receive accurate and timely information to enable resources to be deployed effectively.

Lord Dubs: My Lords, it does not seem to be working. At 10.30 pm one evening last week in Terminal 1, five immigration officers were dealing with British and EU people and two were dealing with people with other passports. The e-passport system was not working. Although it may have taken under half an hour for people like me to get through, the foreigners with other passports looked like they were waiting for hours and hours. Does the Minister agree that this is simply not acceptable and is a consequence of the Government’s cutbacks in staff?

Lord Henley: My Lords, I totally reject what the noble Lord says about cutbacks in staff affecting what is happening. It is not a question of numbers. The important thing is to make sure that we get the right people in the right places at the right time. Rostering, therefore, is done in line with the schedules as they vary between summer and winter. We then adjust them accordingly in line with information we receive, say, from BAA or the airlines about flight delays, weather and so on. We have also brought in this mobile force which we can move around a certain amount to make sure that the right people are there at the right time to deal with the numbers. Obviously, it will always be difficult but we want to continue to improve things and I believe that we are making progress. Perhaps I may remind the noble Lord that at the Home Affairs Select Committee meeting only yesterday, Andrew Lord, director of operations at British Airways, made it clear that it had seen great improvements in recent weeks.

Lord Dholakia: Will my noble friend confirm that the denial of visas at British posts abroad is not used as a means of controlling the administrative chaos at some of our airports? This morning, in the Commonwealth Parliamentary Association Room, the Commonwealth Parliamentary Association had a meeting with the Tanzanian parliamentary committee on privilege and ethics. None of them could attend because they were all denied a visa to enter the country.
Lord Henley: My Lords, we are not using denial of visas to adjust these numbers, but obviously we want to deal with passport control as we can at the point of exit, where it is possible. That is one of the things that we do, and it is good to make things easier for visa control later on.

Baroness McIntosh of Hudnall: My Lords, the Minister referred in his Answer to people with skills and experience and referred in his subsequent answer to the right people in the right places. Will he explain to the House what skills and experience are required for somebody to become a member of the UK Border Agency, how they acquire those skills and where the UK Border Agency is recruiting from?

Lord Henley: My Lords, at the Dispatch Box, in answer to a question, I am not going to go through in detail the recruiting processes of UKBA and the border force. Obviously, they have to make sure that they get the right people who get the right training, and that they deal with things in the proper ways. At the same time, we also want to make sure that they use technology as best we can, as in the past we did with IRIS and in the future we will do that with e-gates. As a result, we hope that we will be able to improve the service for all those people and improve the security that we can offer to the country in dealing with these matters.

Lord Rogan: My Lords, will the Minister make representation to the Government of the Republic of Ireland and request that they also review and, if necessary, improve their border securities, ensuring that persons arriving in the Republic of Ireland and then crossing into the United Kingdom by the unmanned and thus unchecked land border are given suitable clearance?

Lord Henley: The noble Lord will be well aware that we have common border arrangements with the Republic of Ireland and that they will continue, as is quite convenient. But I shall certainly make sure that appropriate representations are made to the Government of the Republic of Ireland.

Lord Mawhinney: My Lords, recently a good friend of mine who has for many years been a prominent businessman and economist in the north-eastern part of the United States rang me to demand to know why he and his wife had been held for two and a half hours at Heathrow trying to get through border controls. What explanation or excuse would my noble friend wish that I had given him?

Lord Henley: My Lords, I cannot give an answer to my noble friend on an individual case. If he wishes to write to me, I will be more than happy to take a look at that case.

Baroness Afshar: My Lords, there are very simple answers to these problems, and we need better training for the immigration officers. I refer to the way in which they treated me when I came through and waved my passport at a British entrance. Because I was born in Iran, I was treated like a real terrorist. I kept on saying, “Look, it says ‘Baroness’ here”, and he said, “Oh, I thought that was your first name”. I really do think that they need better training.

Lord Henley: I am sure that the noble Baroness is right to point to the need for better training. I am sure that the border force and the border agency will take that on board. But it is more than that; there are other matters that we can deal with to improve service in this area.

Baroness Smith of Basildon: My Lords, does the noble Lord find it humiliating that the queues at Heathrow are the butt of Twitter messages and jokes around the world? Does he accept the strong criticism from the Chief Inspector of Borders and Immigration that the problems at Heathrow are caused by massive cuts of 15% of the staff, at the same time as massive organisational changes and a massive lack of good management; or, does he agree with the Immigration Minister in the other place, Damian Green, who says that since May 2010 there has been the wrong kind of wind?

Lord Henley: My Lords, the noble Baroness is very selective in what she says about my honourable friend’s evidence to the Home Affairs Select Committee yesterday. That is not surprising. I say yet again that all we get from the Opposition is that this is due to a reduction in numbers of staff. It is nothing to do with reductions in numbers of staff.

Noble Lords: Oh!

Lord Henley: It is a matter of getting the right staff into the right place, getting rid of some of the union restrictions that are in place within the border force and making sure that we get rostering under control. We can get these things moving far better, and we will.

Immigration: Detention of Children at Heathrow

3.30 pm

Asked By Lord Avebury

To ask Her Majesty’s Government what is their response to the Report of the Independent Monitoring Board on the non-residential short term holding facilities at London Heathrow Airport for the year February 2011 to January 2012 on the “degrading and disgraceful” conditions in which children are being detained at Heathrow.

The Minister of State, Home Office (Lord Henley): My Lords, we take very seriously the findings of the Independent Monitoring Board and are working with our partners, including BAA, to address them. We will respond to the report fully in due course.

Lord Avebury: My Lords, does my noble kinsman agree that keeping a child in these disgraceful conditions, in one case for 31 hours and 50 minutes, is inconsistent with the coalition’s commitment to end the detention
of children and possibly with our obligations under the UN Convention on the Rights of the Child? Will my noble kinsman therefore consider appointing a joint inquiry by the chief inspector of the UKBA and the Children’s Commissioner into the conditions and length of detention at all the United Kingdom ports of entry by sea or by air?

**Lord Henley:** My Lords, I remind my noble kinsman that the holding rooms we are talking about are designed to hold people for relatively short amounts of time—a few hours in the main and up to 24 hours in extreme circumstances. We accept some of the criticisms that we have received from the Independent Monitoring Board and we hope that where it looks as though people, particularly with children, are going to be held for a long time, the relevant staff will make use of other available facilities, such as Tinsley House. However, I think that even my noble kinsman, and most Members of the House, would accept that where we are dealing with people who are going to be returned to another country, they have to be kept somewhere relatively secure, whether or not they have children with them, to make sure that they can be sent back, as appropriate, after their decision has been dealt with.

**Baroness Massey of Darwen:** My Lords, does the Minister agree that we are talking here about children who are defenceless and need support? Does he further agree that the conditions in which they are being kept must be very stressful and distressing for them? What support are those children receiving to help them overcome the stress that they have suffered?

**Lord Henley:** My Lords, the IMB’s report makes clear that it thinks the officials dealing with these matters are doing so in a professional manner. What it was complaining about was the actual facilities in which these people were kept for up to 24 hours at the maximum. If people with children are going to be kept longer, at Heathrow there are other facilities such as Tinsley House that can be used and where those children can be sent with their parents. The idea that the children should be sent off somewhere else, therefore bringing in social services, would create even greater problems and trauma for the children. It is far better that they should stay with their parents for what we hope will be a relatively short amount of time while a decision is being made on whether they can stay in the country or not; and, after that, while they wait for a plane to take them back to where they came from.

**Baroness Sherlock:** My Lords, will the Minister clarify the Government’s position as regards the board’s report? The BBC website said that the UK Border Agency had reported that it had raised the issue with BAA on numerous occasions in the past and would continue to do so. However, the BBC website says that a BAA spokeswoman said that BAA was, “somewhat surprised by UK Border Force’s response, since we have had many meetings with them recently and it has not been raised”.

Who is correct?

**Lord Henley:** All I know is that the UK Border Agency and BAA have had considerable discussions about these matters over the years. Obviously I cannot give evidence about the precise detail of those discussions, but we know that they are aware of the problems because we have also discussed the matter with BAA. The important point to remember is that we will do what we can to improve things. We have only just received this report, which came in two days ago. We will be responding to it within the appropriate period of six weeks. We know that things are not entirely satisfactory but we are talking about holding people only in the very short term while a decision is made. We hope that that will not be longer than 24 hours. If it is, as I made clear, we have other facilities, such as Tinsley House, available.

**Lord Foulkes of Cumnock:** This matter was raised during the time of the Labour Government and the Liberal Democrats attacked us, understandably, about the detention of young children. They promised that once the coalition took over, the detention of children would be ended immediately. Now, two years later, children are still being detained. This is yet another promise—one put forward particularly by the Liberal Democrats—that has been reneged on.

**Lord Henley:** Dare I say that the noble Lord makes a very silly point, and not for the first time, as my noble friend the Deputy Leader says. We are talking about getting rid of detention. We are not talking about detaining children; we are talking about detaining people for as little as 24 hours in this facility.

**Lord Foulkes of Cumnock:** You are still detaining children.

**Lord Henley:** Is the noble Lord suggesting that they should be removed from their parents and sent somewhere else? That strikes me as even worse. This is complete nonsense. We think that the children should stay with their parents for that short time in the holding facility. If they cannot go there, they go to Tinsley House—a place that we have all accepted as being perfectly acceptable for children and their families to go to.

**Baroness Hamwee:** My Lords, I have a question. This Baroness—who has also been thought to have the first name Berenice—visited Cedars, a new facility near Gatwick. I was very impressed by the good work being done there by the border agency and Barnardo’s. Will the Government learn from that in dealing with families and children—some of them unaccompanied children—and deciding on the best way to respond to what everyone must acknowledge is a very difficult situation?

**Lord Henley:** My Lords, of course we will learn from what we have done at Cedars at Gatwick and we will do what we can. I am very grateful to my noble friend for mentioning that. Because of where these very short-term holding facilities are located within the airports, it is very difficult to think of design solutions. However, if anyone is going to be kept longer than that very short period of time, we obviously have to look at other facilities.
Marriage (Approved Organisations) Bill [HL]
First Reading

3.37 pm

A Bill to make provision for amending the law on marriage to permit the Registrar General to permit certain charitable organisations to solemnise marriages.

The Bill was introduced by Lord Harrison, read a first time and ordered to be printed.

Interception of Communications (Admissibility of Evidence) Bill [HL]
First Reading

3.38 pm

A Bill to make provision for permitting the introduction of intercept evidence in certain criminal proceedings and for connected purposes.

The Bill was introduced by Lord Lloyd of Berwick, read a first time and ordered to be printed.

Caravan Sites Bill [HL]
First Reading

3.38 pm

A Bill to make provision for securing the establishment of caravan sites by local authorities in England for the use of Gypsies and Travellers.

The Bill was introduced by Lord Avebury, read a first time and ordered to be printed.

Contaminated Blood (Support for Infected and Bereaved Persons) Bill [HL]
First Reading

3.39 pm

A Bill to make provision for establishing a committee to advise on haemophilia; to make provision in relation to blood donations; to establish a scheme for NHS compensation cards for people who have been treated with and infected by contaminated blood or blood products; to make provision for the financial compensation of people treated with and infected by contaminated blood and blood products and their widows, dependants and carers; to establish a review of the support available for people who have been treated with and infected by contaminated blood or blood products; and for connected purposes.

The Bill was introduced by Lord Morris of Manchester, read a first time and ordered to be printed.
3.40 pm

Moved By The Chairman of Committees

Deputy Chairmen of Committees

That, as proposed by the Committee of Selection, the following members be appointed as the panel of members to act as Deputy Chairmen of Committees for this session:


Administration and Works

That a Select Committee be appointed to consider administrative services, accommodation and works, including works relating to security, within the strategic framework and financial limits approved by the House Committee;

That, as proposed by the Committee of Selection, the following members together with the Chairman of Committees be appointed to the Committee:


That the Committee have power to send for persons, papers and records;

That the Committee have leave to report from time to time.

Communications

That a Select Committee be appointed to consider the media and the creative industries and that, as proposed by the Committee of Selection, the following members be appointed to the Committee:

B Bakewell, L Bragg, L Clement-Jones, B Deech, L Dubs, B Fookes, L Gordon of Strathblane, L Inglewood (Chairman), Bp Norwich, L Razzall, L St John of Bletso, E Selborne, L Skelmersdale;

That the Committee have power to send for persons, papers and records;

That the Committee have power to appoint specialist advisers;

That the Committee have power to adjourn from place to place;

That the Committee have leave to report from time to time;

That the Reports of the Committee shall be printed, regardless of any adjournment of the House;

That the evidence taken by the Committee in the last session of Parliament be referred to the Committee;

That the evidence taken by the Committee shall, if the Committee so wishes, be published.

Consolidation etc. Bills

In accordance with Standing Order 51, that, as proposed by the Committee of Selection, the following Lords be appointed to join with a Committee of the Commons as the Joint Committee on Consolidation etc. Bills:

L Campbell of Alloway, L Carswell (Chairman), L Christopher, E Dundee, L Eames, L Janner of Braunstone, B Mallalieu, L Methuen, L Razzall, L Swinfen, L Tombs;

That the Committee have power to send for persons, papers and records.

Constitution

That a Select Committee be appointed to examine the constitutional implications of all public bills coming before the House; and to keep under review the operation of the constitution;

That, as proposed by the Committee of Selection, the following members be appointed to the Committee:

L Crickhowell, B Falkner of Margravine, L Goldsmith, L Hart of Chilton, L Irvine of Lairg, B Jay of Paddington (Chairman), L Lexden, L Macdonald of River Glaven, L Pannick, L Powell of Bayswater, L Renton of Mount Harry, L Shaw of Northstead;

That the Committee have power to send for persons, papers and records;

That the Committee have power to appoint specialist advisers;

That the Committee have power to adjourn from place to place;

That the Committee have leave to report from time to time;

That the Reports of the Committee shall be printed, regardless of any adjournment of the House;

That the evidence taken by the Committee in the last session of Parliament be referred to the Committee;

That the evidence taken by the Committee shall, if the Committee so wishes, be published.

Delegated Powers and Regulatory Reform

That a Select Committee be appointed to:

(i) report whether the provisions of any bill inappropriately delegate legislative power, or whether they subject the exercise of legislative power to an inappropriate degree of parliamentary scrutiny;

(ii) report on documents and draft orders laid before Parliament under sections 14 and 18 of the Legislative and Regulatory Reform Act 2006;
(iii) report on documents and draft orders laid before Parliament under or by virtue of section 7(2) of the Localism Act 2011 or under or by virtue of section 5E(2) of the Fire and Rescue Services Act 2004; and

(iv) perform, in respect of draft orders referred to in paragraphs (ii) and (iii) above, and in respect of subordinate provisions orders made or proposed to be made under the Regulatory Reform Act 2001, the functions performed in respect of other instruments and draft instruments by the Joint Committee on Statutory Instruments;

That, as proposed by the Committee of Selection, the following members be appointed to the Committee:

- B Andrews, L Blackwell, L Butler of Brockwell, L Carlile of Berriew, B Gardner of Parkes, L Haskel, L Mayhew of Twysden, B O’Loan, L Soley, B Thomas of Winchester (Chairman);
- That the Committee have power to send for persons, papers and records;
- That the Committee have power to appoint specialist advisers;
- That the Committee have leave to report from time to time;
- That the Reports of the Committee shall be printed, regardless of any adjournment of the House;
- That the evidence taken by the Committee shall, if the Committee so wishes, be published.

**Human Rights**

That a Select Committee of six members be appointed to join with a Committee appointed by the Commons as the Joint Committee on Human Rights:

To consider:

(a) matters relating to human rights in the United Kingdom (but excluding consideration of individual cases);

(b) proposals for remedial orders, draft remedial orders and remedial orders made under section 10 of and laid under Schedule 2 to the Human Rights Act 1998; and

(c) in respect of draft remedial orders and remedial orders, whether the special attention of the House should be drawn to them on any of the grounds specified in Standing Order 73 (Joint Committee on Statutory Instruments);

To report to the House:

(a) in relation to any document containing proposals laid before the House under paragraph 3 of the said Schedule 2, its recommendation whether a draft order in the same terms as the proposals should be laid before the House; or

(b) in relation to any draft order laid under paragraph 2 of the said Schedule 2, its recommendation whether the draft Order should be approved; and to have power to report to the House on any matter arising from its consideration of the said proposals or draft orders; and

To report to the House in respect of any original order laid under paragraph 4 of the said Schedule 2, its recommendation whether:

(a) the order should be approved in the form in which it was originally laid before Parliament; or

(b) the order should be replaced by a new order modifying the provisions of the original order; or

(c) the order should not be approved; and to have power to report to the House on any matter arising from its consideration of the said order or any replacement order;

That the following members be appointed to the Committee:

- B Berridge, B Campbell of Surbiton, L Faulks, B Kennedy of The Shaws, L Lester of Herne Hill, B Lister of Burtersett;

That the Committee have power to agree with the Committee appointed by the Commons in the appointment of a Chairman;

That the quorum of the Committee shall be two;

That the Committee have power to send for persons, papers and records;
That the Committee have power to appoint specialist advisers;
That the Committee have power to adjourn from place to place;
That the Committee have leave to report from time to time;
That the Reports of the Committee shall be printed, regardless of any adjournment of the House;
That the evidence taken by the Committee in the last session of Parliament be referred to the Committee;
That the evidence taken by the Committee shall, if the Committee so wishes, be published.

Hybrid Instruments
That a Select Committee be appointed to consider hybrid instruments and that, as proposed by the Committee of Selection, the following members together with the Chairman of Committees be appointed to the Committee:
That the Committee have power to send for persons, papers and records.

Information
That a Select Committee be appointed to consider information and communications services, including the Library and the Parliamentary Archives, within the strategic framework and financial limits approved by the House Committee;
That, as proposed by the Committee of Selection, the following members be appointed to the Committee:
L Aberdare, L Black of Brentwood, L Feldman, L Haskel, L Kirkwood of Kirkhope (Chairman), E Lytton, B Massey of Darwen, L Maxton, B Pitkeathley, L Rennard, L St John of Bletso, L Selsdon, B Stedman-Scott;
That the Committee have power to send for persons, papers and records;
That the Committee have leave to report from time to time.

Liaison
That a Select Committee be appointed to advise the House on the resources required for select committee work and to allocate resources between select committees; to review the select committee work of the House; to consider requests for ad hoc committees and report to the House with recommendations; to ensure effective co-ordination between the two Houses; and to consider the availability of members to serve on committees;
That, as proposed by the Committee of Selection, the following members together with the Chairman of Committees be appointed to the Committee:
L Alderdice, B Browning, L Campbell-Savours, B Corston, L Fellowes, L Laming, L McNally, B Royall of Blaisdon, L Strathclyde, V Ullswater;
That the Committee have power to send for persons, papers and records;
That the Committee have power to appoint specialist advisers;

National Security Strategy
That, as proposed by the Committee of Selection, the following Lords be appointed to join with a Committee of the Commons as the Joint Committee on the National Security Strategy, to consider the National Security Strategy:
L Fellowes, L Foulkes of Cumnock, L Harris of Haringey, L Lee of Trafford, B Manningham-Buller, B Neville-Jones, B Ramsay of Cartvale, L Sterling of Plaistow, B Taylor of Bolton, L Waldegrave of North Hill;
That the Committee have power to agree with the Committee appointed by the Commons in the appointment of a Chairman;
That the Committee have power to send for persons, papers and records;
That the Committee have power to adjourn from place to place in the United Kingdom;
That the Committee have leave to report from time to time;
That the reports of the Committee shall be printed, regardless of any adjournment of the House;
That the evidence taken by the Committee in the last session of Parliament be referred to the Committee;
That the Committee have power to appoint specialist advisers;
That the evidence taken by the Committee shall, if the Committee so wishes, be published.

Parliamentary Office of Science and Technology (POST)
That, as proposed by the Committee of Selection, the following Lords be appointed to the Board of the Parliamentary Office of Science and Technology (POST):

Privileges and Conduct
That a Select Committee be appointed and that, as proposed by the Committee of Selection, the following members together with the Chairman of Committees be appointed to the Committee:
That the Committee have power to appoint sub-committees and that the Committee have power to appoint the Chairmen of sub-committees;
That the Committee have power to co-opt any member to serve on a sub-committee;
That the Committee have power to send for persons, papers and records;
That in any claim of peerage, the Committee shall sit with three holders of high judicial office, who shall have the same speaking and voting rights as members of the Committee.
**Procedure of the House**

That a Select Committee on Procedure of the House be appointed and that, as proposed by the Committee of Selection, the following members together with the Chairman of Committees be appointed to the Committee:


That the following members be appointed as alternate members:

V Craigavon, L Filkin, B Hamwee, V Montgomery of Alamein, L True;

That the Committee have power to appoint sub-committees and that the Committee have power to appoint the Chairmen of sub-committees;

That the Committee have power to send for persons, papers and records;

That the Committee have leave to report from time to time.

**Science and Technology**

That a Select Committee be appointed to consider science and technology and that, as proposed by the Committee of Selection, the following members be appointed to the Committee:


That the Committee have power to appoint sub-committees and that the Committee have power to appoint the Chairmen of sub-committees;

That the Committee have power to co-opt any member to serve on the Committee or a sub-committee;

That the Committee and its sub-committees have power to send for persons, papers and records;

That the Committee and its sub-committees have power to appoint specialist advisers;

That the Committee and its sub-committees have power to adjourn from place to place;

That the Committee have leave to report from time to time;

That the Reports of the Committee shall be printed, regardless of any adjournment of the House;

That the evidence taken by the Committee or its sub-committees in the last session of Parliament be referred to the Committee or its sub-committees;

That the evidence taken by the Committee or its sub-committees shall, if the Committee so wishes, be published.

**Secondary Legislation Scrutiny**

That a Select Committee be appointed to scrutinise secondary legislation.

(1) The Committee shall, with the exception of those instruments in paragraphs (3) and (4), scrutinise—

(a) every instrument (whether or not a statutory instrument), or draft of an instrument, which is laid before each House of Parliament and upon which proceedings may be, or might have been, taken in either House of Parliament under an Act of Parliament;

(b) every proposal which is in the form of a draft of such an instrument and is laid before each House of Parliament under an Act of Parliament, with a view to determining whether or not the special attention of the House should be drawn to it on any of the grounds specified in paragraph (2).

(2) The grounds on which an instrument, draft or proposal may be drawn to the special attention of the House are—

(a) that it is politically or legally important or gives rise to issues of public policy likely to be of interest to the House;

(b) that it may be inappropriate in view of changed circumstances since the enactment of the parent Act;

(c) that it may inappropriately implement European Union legislation;

(d) that it may imperfectly achieve its policy objectives.

(3) The exceptions are—

(a) remedial orders, and draft remedial orders, under section 10 of the Human Rights Act 1998;

(b) draft orders under sections 14 and 18 of the Legislative and Regulatory Reform Act 2006, and subordinate provisions orders made or proposed to be made under the Regulatory Reform Act 2001;

(c) Measures under the Church of England Assembly (Powers) Act 1919 and instruments made, and drafts of instruments to be made, under them.

(4) The Committee shall report on draft orders and documents laid before Parliament under section 11(1) of the Public Bodies Act 2011 in accordance with the procedures set out in sections 11(5) and (6). The Committee may also consider and report on any material changes in a draft order laid under section 11(8) of the Act.

(5) The Committee shall also consider such other general matters relating to the effective scrutiny of secondary legislation and arising from the performance of its functions under paragraphs (1) to (4) as the Committee considers appropriate, except matters within the orders of reference of the Joint Committee on Statutory Instruments.

That, as proposed by the Committee of Selection, the following members be appointed to the Committee:
L Bichard, L Eames, B Eaton, L Goodlad (Chairman), B Hamwee, L Hart of Chilton, L Methuen, B Morris of Yardley, L Norton of Louth, L Plant of Highfield, L Scott of Foscote;

That the Committee have power to send for persons, papers and records;

That the Committee have power to appoint specialist advisers;

That the Committee have leave to report from time to time;

That the Reports of the Committee shall be printed, regardless of any adjournment of the House;

That the evidence taken by the Committee shall, if the Committee so wishes, be published.

Standing Orders (Private Bills)

That a Select Committee on the Standing Orders relating to private bills be appointed and that, as proposed by the Committee of Selection, the following members together with the Chairman of Committees be appointed to the Committee:


That the Committee have power to send for persons, papers and records.

Statutory Instruments

In accordance with Standing Order 73 and the resolution of the House of 16 December 1997, that, as proposed by the Committee of Selection, the following members be appointed to join with a Committee of the Commons as the Joint Committee on Statutory Instruments:


That the Committee have power to send for persons, papers and records.

Works of Art

That a Select Committee be appointed to administer the House of Lords Works of Art Collection Fund; and to consider matters relating to works of art and the artistic heritage in the House of Lords, within the strategic framework and financial limits approved by the House Committee;

That, as proposed by the Committee of Selection, the following members be appointed to the Committee:

L Cormack, L Crathorne, L Harries of Pentregarth, B Howells of St Davids, L Luke (Chairman), B Maddock, L Myners, B Rendell of Babergh, L Roberts of Llandudno, E Shrewsbury, L Stevenson of Coddenham, B Valentine;

That the Committee have power to send for persons, papers and records;

That the Committee have leave to report from time to time.

The Chairman of Committees (Lord Sewel): My Lords, I beg to move the first 20 Motions standing in my name on the Order Paper. I shall move the Motion relating to the European Union Committee separately.

Motions agreed.

European Union

Membership Motion

3.40 pm

Moved by The Chairman of Committees

European Union

That a Select Committee be appointed:

(1) To consider European Union documents deposited in the House by a Minister, and other matters relating to the European Union;

The expression “European Union document” includes in particular:

(a) a document submitted by an institution of the European Union to another institution and put by either into the public domain;

(b) a draft legislative act or a proposal for amendment of such an act; and

(c) a draft decision relating to the Common Foreign and Security Policy of the European Union under Title V of the Treaty on European Union;

The Committee may waive the requirement to deposit a document, or class of documents, by agreement with the European Scrutiny Committee of the House of Commons;

(2) To assist the House in relation to the procedure for the submission of Reasoned Opinions under Article 5 of the Treaty on European Union and the Protocol on the application of the principles of subsidiarity and proportionality;

(3) To represent the House as appropriate in interparliamentary co-operation within the European Union;

That, as proposed by the Committee of Selection, the following members be appointed to the Committee:


That the Committee have power to appoint sub-committees and to refer to them any matters within its terms of reference; that the Committee have power to appoint the Chairmen of sub-committees, but that the sub-committees have power to appoint their own Chairmen for the purpose of particular inquiries; that the quorum of each sub-committee be two;

That the Committee have power to co-opt any member to serve on a sub-committee;

That the Committee and its sub-committees have power to send for persons, papers and records;
[The Chairman of Committees]

That the Committee have power to appoint specialist advisers;

That the Committee and its sub-committees have power to adjourn from place to place;

That the Committee have leave to report from time to time;

That the Reports of the Committee shall be printed, regardless of any adjournment of the House;

That the evidence taken by the Committee or its sub-committees in the last session of Parliament be referred to the Committee or its sub-committees;

That the evidence taken by the Committee or its sub-committees shall, if the Committee so wishes, be published.

The Chairman of Committees (Lord Sewel): I beg to move the final Motion, standing in my name on the Order Paper, to appoint the European Union Committee.

Amendment to the Motion
Moved by Lord Pearson of Rannoch

As an amendment to the above Motion, after paragraph (3), insert:

“(4) To make an annual report to the House for debate on the effect of its work on the European Union’s legislative proposals and legislation.”

Lord Pearson of Rannoch: My Lords, several times over recent years I have intervened at this juncture in our appointments procedure to complain about the composition and effectiveness of your Lordships’ Select Committee on the European Union. I have also suggested that the number of its sub-committees should be reduced and their energies redistributed to other committees of your Lordships’ House and future ad hoc committees. I remind noble Lords that the appointment of our Select Committees is a matter for the whole House and not just for the usual channels, whatever they may be. We have just approved a heavyweight committee to consider economic affairs and we have been generous enough to give it one sub-committee. Do we have the balance right?

Would it not be more sensible to disband EU Sub-Committees A and B on economic and financial affairs, international trade, the EU’s internal market, energy and transport and pass their activities to our Economic Affairs Committee, perhaps giving it another sub-committee in the process? Are we right to have a Sub-Committee C on foreign affairs, defence and development policy when we do not have a committee on our own defence and foreign affairs? Should we not set one up and include the work of Sub-Committee C in its remit?

Furthermore, do we really need two EU sub-committees: on justice and institutions, Sub-Committee E; and on home affairs, Sub-Committee F? Could they not be rolled into one? These suggestions would leave us with an EU Select Committee and just two sub-committees: Sub-Committee D, on agriculture, fisheries and our environment—all areas firmly under the control of Brussels; and a new combined E and F Sub-Committee? That would largely free up the energies of four sub-committees for distribution elsewhere.

In this respect, I am not sure whether our Science and Technology Committee feels that it is now adequately equipped with its new second sub-committee. Clearly it is a vital area of our national life. If so, I merely point out that it had to struggle to get what it needs with the powers that be.

I make these suggestions because I believe that the committee work of your Lordships’ House, with the single exception of our EU committees, is of huge value to the nation. The expertise and wisdom that resides in your Lordships’ House is unrivalled anywhere else in the country. The standard of debate is dauntingly high. I see our committees as one of the irrefutable justifications for your Lordships’ House in its present composition and at or somewhere near its present size. How could we field anything like the number of Select Committees that serve this House with a House of some 300 Members?

3.45 pm

However, our EU committee is different. Brussels pays virtually no attention to its views, as can be seen from a series of Written Questions tabled in 2008 by my noble friends Lord Vinson, Lord Tebbit, Lord Stoddart of Swindon and Lord Willoughby de Broke, and by me. The only example that the Government could give of Brussels taking up in legislation one of our committee’s suggestions was a small amendment to the audiovisual media services directive. That information is to be found in Written Answers, col. 38, on 10 March 2008. I will put a copy of the written exchanges in your Lordships’ Library.

The effectiveness of our EU committees is further scandalously undermined by the Government’s continual breach of the scrutiny reserve, whereby they promise not to sign up to any new law in Brussels that is still under scrutiny by the Select Committee of either House of Parliament. The latest Written Answers on this problem—to the noble Lord, Lord Roper, and to me—confirmed that the reserve was broken 281 times in your Lordships’ House and 299 times in the Commons in the five and a half years to June 2011. That means that 580 new pieces of legislation from Brussels passed into law in breach of the Government’s promise that they would not do so when they were still under scrutiny by the Select Committee of either House.

I do not blame the Government for this; it is more than the juggernaut in Brussels could not care less about national parliaments and their democratic sensibilities. The whole project of European integration was set in motion precisely to delude and destroy national democracy. I will not go into all that again now; events are speaking for themselves.

In conclusion, I am aware that many noble and Europhile Lords believe that our Select Committee is taken very seriously in Brussels. They tell us of our famous red reports being consulted with much respect by Eurocrats of all descriptions. In our last debate on this subject, the noble Lord, Lord Sewel, told us that Brussels was at long last going to reform the common
fisheries policy, thanks to advice from our Select Committee. I said then, and say again now, that that remains to be seen. The noble Lord has now been elevated above such mundane debate. I welcome him to his new position and congratulate him on it.

I hope that noble Lords who support our EU Select Committee as presently constituted will welcome the amendment. It would give them the chance once a year to show us how valuable its work has been in the national interest. It would give your Lordships the opportunity to decide its future and whether there is any merit in the suggestions that I put forward.

I hope for one last thing: namely, that we will not be told that the advantages of our EU committee, like our membership of the EU itself, are so obvious that there is no point in discussing them. I beg to move.

Lord Boswell of Aynho: My Lords, the House will have noted the comments of the noble Lord, Lord Pearson, on the importance of effective scrutiny, and his interesting and detailed suggestion on the configuration of committees. First, I briefly thank the House for entrusting me with responsibility for the European Union Select Committee; and, secondly, I acknowledge the fine example set by my predecessors, including the noble Lord, Lord Roper. I have no conceptual problem with the need for efficiency and scrutiny, and I remind noble Lords that they will shortly receive the sessional report of the Select Committee and will have ample opportunity thereafter to consider it further.

Lord Willoughby de Broke: My Lords, I support the amendment of my noble friend Lord Pearson. It seems eminently sensible. I spent four years on the EU Select Committee. Any Members on the committee now will know exactly how much time is taken up by membership of that committee and of its various sub-committees—the amount of reading, work and supporting of the committee reports when they are debated in the House. However, like my noble friend, I remind the House that precisely one item only has ever been amended by the Commission in following the issuing of a Select Committee report. I really wonder whether this is right and whether the committee should be required—it seems a harmless amendment, I must say—to report back to this House and to the nation on the effectiveness of its work and on the effect of its reports on the legislation coming out of Brussels. At the moment, the latest fact is that just one piece of legislation in the past 10 or 15 years has actually been affected by the vast number of reports issued by the EU Select Committee.

I am not sure whether the noble Lord, Lord Boswell, supported my noble friend’s amendment or not, but it seems to be very sensible. I hope that the House will support it.

Lord Grenfell: My Lords, I take this opportunity to congratulate the noble Lord, Lord Boswell, on his appointment to the chairmanship of the committee, a chairmanship which I enormously enjoyed when I had the honour to hold it.

What the noble Lord, Lord Pearson of Rannoch, is saying today is so familiar to me it is almost like listening to “Auld Lang Syne” every New Year’s Eve. It is utterly predictable but probably less tuneful. Every year, he shows that he misunderstands the purpose of the European Union Committee. It is not to tell Brussels what to do; it is to hold the Government to account for what they do. The function of a committee of the House of Lords is to hold the Government to account, and that is precisely what it does. If it takes that number of sub-committees to examine the more than 1,000 documents that come through, so be it. You need the people and the Peers to do that.

However, the real point is this: in order to be able to advise the Government on how they should react to what comes from the noble Lord described as the juggernaut in Brussels, you need to explore the minds of those working in Brussels and spend a lot of time examining the Green Papers and the White Papers, attending the meetings and so forth so that you can fulfil your function, which is to advise the Government on how they should react. That is what the committee is all about. It is not about telling Brussels what to do.

Lord Stoddart of Swindon: My Lords, I am afraid that the noble Lord, Lord Grenfell, will now hear the second verse of “Auld Lang Syne”. Before I remark on the amendment of the noble Lord, Lord Pearson, I congratulate the noble Lord, Lord Sewel, on his appointment as Chairman of Committees and the noble Lord, Lord Boswell, on his as Principal Deputy Chairman of Committees. However, I support the noble Lord, Lord Pearson, in the amendment that he has put before the House. He has been very persistent in doing so. It is right that the House should hear some alternative views about the European Union. It often does not and should do so more often.

The Select Committee has six sub-committees; it used to have seven but now it has six. However, their very existence shows the power of the European Union over matters relating to this country and how it has encroached on our national life and into the very nooks and crannies of our country.

The Select Committee on the European Union costs £2 million a year, which is not a mean sum. It is absolutely true that the benefits from its discussions, although they are erudite and make easy reading, are nevertheless not influential, so far as this House and Parliament can see, in altering the views and policies of the European Union itself. Decisions are taken in secret so that we do not even know what views are being put forward by the Government, so again we cannot see what influence our own Select Committee has on our own Government.

We spend £2 million on this committee. There is another Select Committee in the House of Commons. It does not do quite the same thing, but I wonder whether it might be worth considering a joint Select Committee of both Houses to scrutinise EU legislation and regulations. That is a matter that might be taken up by the House and the other place at some point in the future. I support the amendment moved by the noble Lord, Lord Pearson.

Lord Hannay of Chiswick: My Lords, I would like to say a few words on this, having been a member of your Lordships’ European Union Committee on two
occasions and still currently so. There are many errors of fact in what has been said by the noble Lords, Lord Pearson of Rannoch and Lord Stoddart of Swindon, and others. Our job is to make recommendations to the British Government, and the point about the British Government not telling us what account they have taken of our recommendations is untrue. They are required to do so within two months and they always do so. They state their reaction to every single one of the recommendations. It is also untrue that the Commission does not say what it has done in reply to the recommendations. Every one of the reports is now replied to by the vice-president of the Commission responsible for relations with the national parliaments, and they are all on the website. I wish the noble Lord, Lord Pearson, good reading because there are probably several thousand replies from the Commission that he could usefully read. He might then understand a little better what is done.

My penultimate point is that we have not yet reduced the number of sub-committees to seven. We are waiting for the Chairman of Committees to be allowed to put his proposal to us in order to reduce them from seven to six, but we have not yet done so. The last point that I want to make about this is that it does not always seem to be very well understood that the job done by the EU Committee and its sub-committees is that of scrutiny of EU legislation, a job that is done by the whole House on UK legislation. If it is not done properly through the EU Select Committee and its sub-committees, it will not be done at all, and that would be a real loss of influence for this country.

Lord Tebbit: My Lords, it verges upon the unbelievable to think, from the description just given to us by the noble Lord, Lord Hannay, that the bureaucrats of Brussels are waiting in fear of what the sub-committees in this place might say about proposed European legislation and are then devoting thousands of hours to reasoned arguments against it. I suspect that that does not actually happen.

To come back to the clear point, we have before us a proposal that these distinguished and hardworking Members of the House should consider these matters time and time again, even though there is no evidence that anything changes as a result of their consideration and recommendations. That is a fact that has been shown to be so from the answers to PNQs. Either we can be brought to the notice of this House by means of a debate so that we can consider what to do about it, one way or the other: either close down the operation or require Her Majesty’s Government to do something effective. The amendment proposed today is one way of getting something moving on that front.

Baroness O’Cathain: My Lords, I hesitate to disagree with my noble friend Lord Tebbit, but there are occasions when the workings of the sub-committees and the Select Committee have actually borne fruit. We have done a number of reports where we put the consumer first, as well as the management of money.

Only recently we had huge success in dealing with the issue of roaming of data when abroad. That might not sound important to a lot of people but with the growth in the use of iPads, I can assure noble Lords that it is. I spent a night in a hotel in Ireland recently with my iPad—I mean, reading my two newspapers on my iPad in the morning; sorry about that—and it cost me £30. I just could not believe it. We then made our report in a very short exercise—and I see members of my sub-committee agreeing with me—and we got huge acres in the techie press of agreement that this was the way to go, and I am sure that something will happen. It is only a small thing but it is something to convince my noble friend that in fact we are achieving something.

The Chairman of Committees: My Lords, I had anticipated an amendment from the noble Lord, Lord Pearson of Rannoch, although not the one that actually emerged. He has put me in something of a difficulty. I do not know whether to respond to his amendment or to his speech because the two seem to be somewhat disconnected.

As the noble Lords, Lord Hannay and Lord Grenfell, have pointed out, the noble Lord fundamentally misunderstands the function of the committee. The committee’s job is to scrutinise Her Majesty’s Government’s response to European initiatives. It also takes on the role of inquiry into particular policy areas. This is where the argument about effectiveness is cited.

The noble Baroness, Lady O’Cathain, has already pointed out with regard to roaming how the committee is able to influence the development of policy. I have previously pointed out with regard to fisheries policy that if you look at the proposals coming forward from the Commission on the reform of the common fisheries policy, they are heavily drawn from the report of our own EU Committee. That is the sort of influence that can be brought to bear in a positive way.

Finally, on the issue of preparing an annual report, the committee already has the power to issue an annual report if it so wishes. Again, listening to the words of the Deputy Chairman of Committees, it seems that he—and the committee—would be quite happy to look at whether something like an annual report could be produced. On that extremely helpful note, I invite the noble Lord to withdraw his amendment.

Lord Tebbit: Back in May 2008, I asked the then Government whether they could find more than one example of a European Union legislative institution having been altered as a result of proceedings in either House of Parliament. It was a fairly straightforward question. No such examples were given. I wonder whether my noble friend has some examples that might have occurred in the past two years under this Government.
The Chairman of Committees: My Lords, I am much more concerned about being able positively to influence policy development rather than seeking the post-hoc position of trying to change policy and legislation once it has been enacted. Surely it is much better that we are in there, bringing to bear the expertise of this House on issues of major European policy.

Lord Pearson of Rannoch: I am most grateful to all noble Lords who have spoken: to the noble Lords, Lord Grenfell and Lord Hannay, and partially to the Chairman of Committees. They all said the same thing: that I had got it all wrong, that I had not understood that the EU Select Committee is there not to tell Brussels what to do but to hold the Government to account and to advise them how to act. Well, as a matter of fact, I am aware of that; my point is that the result is ineffectual, as witnessed by the 580 scrutiny overrides and so on. I accept the point made by the noble Lord, Lord Hannay, who said that the Government indeed reply, copiously, to all our Select Committee reports and that the Commission replies to the Government’s views. However, the result remains the same. On the example relating to fish that has been given by the Chairman of Committees, let us wait and see.

The amendment and the debate have been worth while. I have to disagree with my noble friend—if I may refer to him as such—Lord Tebbit in one regard. I agree that members of the European Union Select Committee are largely wasting their time, but I do not propose that they should go and dig their garden. Their energies should be redistributed around the other committees of your Lordships’ House, particularly the ad hoc committees of the future, which will be increasingly important.

I am grateful to the Chairman of Committees for giving me some support and to the chairman of the Select Committee for not ruling out of order what I had to say. I am grateful, too, to both noble Lords for giving us the hope that future annual reports of your Lordships’ Select Committee may indeed include what I have requested. I am most grateful to the noble Lord for his generous reply. I beg leave to withdraw the amendment.

Amendment to the Motion withdrawn.

Motion agreed.

Infrastructure Planning (Waste Water Transfer and Storage) Order 2012

Advisory Committee on Hazardous Substances (Abolition) Order 2012

Motions to Refer to Grand Committee

4.07 pm

Moved By Lord De Mauley

That the draft orders be referred to a Grand Committee.

Motions agreed.
[BARONESS WILCOX]
debt is more of the same. We stand firmly by the measures we have taken to date: tackling the deficit, reducing burdens on business and maintaining low interest rates. This latest legislative programme is again focused on economic rebalancing, rewarding hard work and delivering sustainable growth.

At the same time, we recognise that simply passing more laws will not in itself create the change we need. The Foreign Secretary reached the heart of the matter in today’s Times:

“Governments never have and never will create wealth solely through their own efforts. We can pave the way, but it will be talented and hardworking British people and companies who propel our country towards a prosperous future”.

I intend to devote much of my speech to those Bills which focus most directly on addressing that issue, although I will also cover key measures, including pensions and local government. Under the banner of the enterprise and regulatory reform Bill, we are promoting the UK’s transition to a green economy. The UK green investment bank—a global first—has initial funding of £3 billion to March 2015. Its mission as an independent institution will be to mobilise private finance in green infrastructure, helping to give UK businesses a head start in nascent markets.

Secondly, the Bill will tackle anti-competitive behaviour and ensure more open markets by establishing a new Competition and Markets Authority. Assuming the functions of the Competition Commission and the competition functions of the Office of Fair Trading, it will speed up existing processes within clearer time frames. Regulation is sometimes unavoidable, but it must never be excessive. Some burdens will be entirely done away with under this Bill; others may face sunset clauses. In addition, we will extend the primary authority scheme, allowing more businesses—especially SMEs—to access consistent advice on specific regulatory issues.

Many SMEs also regard the current operation of employment tribunals as a disincentive to expansion and hiring extra staff. We agree that it is absolutely necessary to protect people from abusive employers and no measures in this Bill will dismantle those protections. It is also important, however, that where disputes do arise, employers and employees receive help to resolve them without facing the costly and time-consuming employment tribunal process. I trust your Lordships will agree that this objective can be best achieved through helping parties to settle any dispute before a tribunal claim is lodged. We will encourage greater use of settlement agreements and streamlining the tribunals process itself, including a new rapid resolution scheme.

A similar desire to improve the lot of small businesses informs the Groceries Code Adjudicator Bill, designed to protect their interests as supermarket suppliers. Retailers, of course, should not be prevented from securing good deals on behalf of consumers, but nor should they be able to take unfair advantage of farmers and other small suppliers. I know that noble Lords on both sides of this House are eager to see the adjudicator introduced.

The adjudicator will have the powers necessary to uphold the code. As importantly, he or she will support investment and innovation in the supply chain by stopping supermarkets passing on excessive risk and costs to suppliers. That means serving the long-term interests of consumers and the economy, in which agriculture and food manufacturing are major segments.

This wish for business to be both successful and responsible explains another section of the enterprise Bill. In this case, we are seeking to re-establish the link between performance and reward at director level. In March, we issued proposals on giving shareholders binding votes on directors’ pay, and invited comments. We are now considering the consultation responses.

Britain needs a resilient banking sector that lends to productive business in the real economy. Our conclusion, following the independent commission led by Sir John Vickers, is that essential banking services must be ring-fenced from other activities and that insured depositors should have priority over unsecured creditors in cases of insolvency. The banking reform Bill will make these changes to foster financial stability and achieve a more resilient banking sector. The retail ring-fence will separate the vital services on which households and SMEs depend from more volatile wholesale and investment banking. This will insulate those services from the effect of shocks elsewhere in the financial system and ensure that if banks get into trouble, problems can be resolved without taxpayer support. The Government will complete all primary and secondary legislation by the end of this Parliament, and banks will be expected to implement the ring-fence as soon as practically possible thereafter.

We are legislating in two other sectors of vital national importance. The energy Bill will reform the electricity market to guarantee supply, reduce emissions more cost-effectively and improve regulatory certainty by making government and Ofgem better aligned. It ensures that the Office for Nuclear Regulation will be more cost-effectively and improve regulatory certainty by making government and Ofgem better aligned. It means serving the long-term interests of consumers and the economy, in which agriculture and food manufacturing are major segments.

Perhaps your Lordships will allow me to conclude by highlighting three other elements of the Government’s programme. The Local Government Finance Bill, introduced in another place in the previous Session, will shortly be debated in your Lordships’ House. Creating growth, reducing debt and handing back power to local people are at the heart of this Bill. It will incentivise local authorities to go for economic growth by reforming the business rates system, make councils more accountable to taxpayers and give local authorities autonomy in providing for their most vulnerable people. The local audit Bill, which we are
publishing in draft for consultation and pre-legislative scrutiny, includes proposals to abolish the Audit Commission and open up local public audit to the private sector. We estimate that this could save £650 million of public money over the next five years.

Finally, following the agreements reached with trade unions for the three largest unfunded schemes, the public service pensions Bill will deliver affordable, sustainable and fairer pensions, and ensure that costs and benefits between employers, workers and other taxpayers are balanced more fairly. Pension benefits that have already been earned will be protected. These pensions will remain among the best available, continuing to provide guaranteed, index-linked benefits in retirement. Equivalent private pensions would cost around a third of an individual’s pay. Those closest to retirement will not see any change regarding when they can retire or any decrease in the pension they receive at normal retirement age.

The fundamental principles behind this programme are clear. As my right honourable friend the Prime Minister made clear in his reply to the debate on the Address in another place, this is a coalition Government determined to unleash the private sector, to encourage growth across our country and to sort out our financial services. We are a Government who are putting the wrong people first: tax cuts for the rich, but hard-working families being asked to pay more; nurses being laid off, but an expensive and wasteful NHS reorganisation; and police numbers being cut back—indeed, as the police themselves say, 20% cuts are criminal—but nothing being done to tackle crime. There is no legislation, as was promised, on ASBOs. Rather than concentrating on Lords reform, the Government should be concentrating on jobs, on growth, on living standards and on youth unemployment.

Let us consider the economic state of the nation. The economy is in a double-dip recession with no end in sight. Indeed, the latest dismal figures for the building industry suggest that the estimate of national GDP growth of minus 0.2% in the first quarter was overly optimistic, an underestimate of the true scale of economic decline. The UK, as a direct result of this Government’s policies, is set to endure a longer depression than the country suffered in the 1930s. Just today, the Bank of England has cut its growth forecast for this year from 1.2 per cent to 0.8 per cent, and warned that the UK would not be unscathed by the storm which is still convulsing the eurozone. That is precisely why we should be part of, and influencing, the debate rather than standing in isolation. But it is still this Government, not events beyond our shores, who are responsible for the double-dip recession in which we are mired.

What is there in the Queen’s Speech that will do anything to kick-start the economy back into growth? Of course there will be Bills on competition policy and on banking, and on a green investment bank, as the noble Baroness, Lady Wilcox, said, but I would be grateful if in her reply, the Minister would confirm that the banking Bill is not going to be a carryover Bill, as we had understood.

These may be worthwhile measures. We certainly hope that they will be, but any effect that they have on economic performance will be in the medium to long term. They will make no discernible impact over the next few, crucial, years. The noble Baroness mentioned a Bill to reduce burdens on business by repealing unnecessary legislation. Well, we are all against “unnecessary legislation”, though it seems to me that we have encountered a lot of seriously unnecessary legislation recently—for example, on the National Health Service, something that produced a plethora of quangos. But I leave the verdict on these proposals to none other than the leader writer of that organ of radical thought, the Daily Mail:

“The promised bonfire of the quangos and red tape has been pathetic, with last week’s Queen’s Speech paying only lip service to deregulation”.

I do not think that the Government really understand. They do not seem to understand that it is their policies that have mired the economy in recession and that, without a change of course, without active intervention now, the prospects for a return even to the levels of output seen in 2008 are bleak. The coalition appears to be in recession denial. There is no hope and the people of our country are desperate for vision, hope and opportunity. But the Government lack any vision of how Britain might return to prosperity.

Lord Roberts of Conwy: Would the noble Baroness give way? I am very surprised that she does not give a hearty welcome to the increase of 105,000 in employment and the decline of 45,000 in the unemployed that were announced today, facts that were welcomed by the Leader of the Opposition at Prime Minister’s Questions.
Baroness Royall of Blaisdon: If the noble Lord will give me a few minutes, I will get to the part where I do indeed welcome what has happened today with the unemployment figures. However, I will of course qualify that.

The oft-stated primary objectives of government policy to maintain sterling as a safe-haven currency by protecting at all costs Britain’s triple-A rating with the ratings agencies, and keeping interest rates low to stimulate investment, is interesting and important. However, the strengthening of sterling poses a threat to the recovery of industrial exports from Britain and, in the absence of any prospect of growing demand, low interest rates have been accompanied by a collapse in investment.

Put simply, the Government’s economic policies are incoherent. Consider the fact that almost 90% of the planned cuts in government expenditure are still to come, creating a headwind loss of 6% of GDP before growth can get going again, and the overall damage that their policies are doing to our growth prospects are all too evident. Even the ratings agencies are now beginning to wonder whether the UK’s rating should be downgraded because of the lack of growth.

Moreover, the human consequences of the Government’s economic policies are all too evident. As I said, I welcome the fact that unemployment fell today, but I note too that the number of people unemployed for more than a year—that is, under the definitions used, the long-term unemployed—rose by 27,000 to 887,000, the worst total since 1996, when the Conservative Party was last in power. It is the Government’s policies that have led directly to higher unemployment so that people lose their dignity and purpose and may have to claim benefits rather than working and thus helping to create economic growth and deficit reduction.

The number of people working part-time who say that they want a full-time job is at a record high, but of course the Government do not seem to care. A Downing Street source was quoted yesterday as asking why people only work part-time—more evidence of this Government being out of touch. They briefed the newspapers ahead of the Queen’s Speech about the family-friendly policies within it, yet do not understand that people may need to work part-time because they have childcare or other caring responsibilities, let alone that sometimes part-time jobs are the only jobs available.

The effect of the Government’s policies has been especially wounding for young people. Even after today’s figures, more than one in five young people are unemployed—over 1 million in all. Just when they should be starting out on their careers, perhaps thinking of settling down and building a family, they are left idle, untrained, demotivated, and devastated. As my noble friend Lady Hughes of Stretford spelt out so well yesterday, this coalition’s policies are creating a wasted generation that should weigh on the conscience of every single member of this Government. The Queen’s Speech contains nothing that addresses the problem of the unemployed young. The country as a whole will suffer from this neglect for years to come.

Of course, the assault on the poor continues. The Institute for Fiscal Studies has shown that government measures introduced this April will have a disproportionate effect on the lower half of income distribution, with the biggest hits being suffered by households with children, and there is more to come. Only 12% of the proposed cuts have so far been implemented and we are told that, on the advice of his strategy adviser before he leaves the sinking ship and heads off to California today, the Prime Minister is considering a further £25 billion in welfare cuts. The much vaunted Budget increase in the personal allowance, which the coalition partners pretend help the worse off, is also systematically biased against the poor: 70% of the benefit will go to those in the top half of income distribution.

All this, and yet there is nothing concrete in the Queen’s Speech to address the pressing needs of so many people in our country—and there is worse to come. In its report to accompany the Budget Statement, the Office for Budget Responsibility tells us that the coalition recession is not just resulting in lost income, lost jobs and blighted lives today, but is blighting Britain’s future, too.

The OBR could not be clearer.

“our estimates of potential growth do imply a significant and persistent loss of potential output relative to the pre-crisis trend … Our … estimates for 2011 imply a potential output loss of around 8 per cent … This shortfall widens to around 11 per cent by 2016”.

That is terrifying. It is because the sharp fall in investment since the coalition took power bequeaths the country crumbling infrastructure and underskilled workers. Yet there is nothing in the gracious Speech that would stimulate infrastructure investment or enhance the skills base.

However, I must admit that since the Queen’s Speech the Government have launched a new economic policy to tackle Britain’s economic problems. The noble Baroness mentioned her right honourable friend Mr William Hague, the Foreign Secretary. A few days ago, he declared:

“There’s only one growth strategy: work hard”.

Then Mr Eric Pickles, the Secretary of State for Communities, chimed in, saying:

“I think we all should work harder”.

So the youngster desperately searching for a job, who has sent of dozens of applications without success, sometimes without an answer or an acknowledgement, is told to work harder. To the thousands put on short time, the message is work harder. To the family struggling in the face of cuts in working tax credits, the message is clear: work harder. To the small business owner, unable to renew his or her bank funding, and seeing the prospect of securing future orders vanish, the message is work harder. To the building contractors facing 5% falls in demand, and retailers facing a shrinking high street, the message is stop whingeing and work harder. As Mr Hague put it so precisely, “do more with less - that’s the 21st century”.

Well, the coalition is certainly guaranteeing that we will have less. It is not as if the Government are even willing to debate how new measures might boost demand in the economy. What is the Government’s response to
UK manufacturers who want more support, including the creation of an industrial bank? Why was there nothing in the Queen’s Speech about infrastructure? Why no HS2 Bill? Why, for example, is there no debate over creating a national infrastructure bank? If Britain can afford to lend £10 billion to the IMF, then it can afford to lend £10 billion to a national infrastructure bank to attack directly the decline in productive potential that the austerity policies have produced. The Chancellor of the Exchequer said the IMF loan would come from the UK’s reserves, that it was not money that would otherwise have been available for public spending and that it would not add to the national debt. So let us perform that trick again, but this time at home. Why is there no debate over the American idea that austerity policies—cuts in spending or increases in taxes—should be contingent on the economy reaching predefined goals in terms of growth and/or employment? Legislation would commit the Government to cutting the deficit when the growth target had been hit, but the Government will not even consider the possibility.

The Government make the claim that they inherited a difficult economic situation. Well, they entered office two years ago in the face of a major world financial crisis, a crisis that had a particularly damaging effect on the UK because of the disproportionately important role of the financial services industry in our economy, as the noble Baroness said. However, she did not add that they inherited an economy on the path to recovery, growing at 2% a year, with a deficit plan in place that would have halved the deficit in four years, the target agreed by the G20 nations. It is their policies that have forced the economy back into recession. Two years on, they have no excuses. Their austerity policies have failed and should be abandoned, and they must also abandon the assault on the poor, the NHS and legal aid which they disguise as necessary pain.

It is not just us on these Benches or my party generally that makes this criticism. Even the most measured and careful of professions, the accountants, are making the same points. The Institute of Chartered Accountants for England and Wales was quoted yesterday as saying that the Government’s child benefit tax is seriously badly engineered. Another accountant said that nuking large-scale philanthropy at a time when aid which they disguise as necessary pain.

The day after Her Majesty delivered the gracious Speech, the Daily Telegraph headline read: “Queen’s Speech: why was there no plan for growth?”. Around the world we see policy makers struggling to develop new ideas to escape austerity and resuscitate growth, the growth that everyone other than the recession deniers in this country knows is the only way to restore the public finances. The only Government not participating in this debate is this one. Their policies lack vision, they lack coherence, and they fail to address the pressing problems of the creating growth and jobs in this country.

The Queen’s Speech illustrates that in just two years their policies are not working and they have no idea what to do next. That is why we have tabled this amendment, to focus attention on what the Government are doing—pursuing policies that are not working and making cuts that go too far, too fast. We wish to focus attention on what the Government should be doing—that is, pursuing policies to promote jobs and growth, improve living standards and cut youth unemployment.

This Government are out of touch. Even elected Conservatives are coming to this conclusion. In Stroud, in my glorious county of Gloucestershire, the Conservative chairman of Stroud District Council, Councillor John Hudson, has recently resigned from the Conservative group, and indeed the Conservative Party, over the effect of the Government’s policies. He said: “I’m a family man with three very young children, just trying to keep a roof over their heads, food on the table. To be brutally honest, and it sounds a bit socialist and I’m no socialist, the people who run the Government have no idea how the ordinary working man is coping”.

He is right. The Government are out of touch, incompetent and unfair. The elections show that, the polls show that and I look forward to this House showing that today. I also look forward to the maiden speeches of the right reverend Prelate the Bishop of Durham and the noble Lord, Lord Ashton of Hyde. I beg to move.

4.36 pm

Lord Razzall: My Lords, I am sure that the students of politics in your Lordships’ House, of which there are many, will entirely understand why the noble Baroness thinks that this is all the fault of the Government and blames the whole thing on government policy. However, we ought first to put into perspective what has happened to government expenditure during the period of the coalition. In real terms, expenditure has hardly been reduced at all.

If we take the official Treasury numbers, stripping out inflation and showing real spending indicates a reduction last year of just £8 billion. In real terms, that is a cut of a pretty modest 1.1%. The figure is also flattered by comparison with Labour’s spending in the election year, when it increased by £31 billion, making the high-water mark unusually high. Therefore, the real level of government spending today, against that in 2008-09, represents an increase of £23 billion, which is a 3.4% rise. I hardly think that the policy of economic cuts that the noble Baroness indicated is responsible for austerity. However, we know that austerity is particularly unpopular. We have to look only at what happened in elections in Greece, France and North Rhine-Westphalia to realise why the noble Baroness is on that particular bandwagon.

The Liberal Democrats on these Benches are of course part of the coalition but we retain our independence—

Lord King of Bridgwater: Don’t go too far.

Lord Razzall: The noble Lord, Lord King, does not want me to go too far so I will rein that back. As noble Lords will be aware, we have not necessarily been uncritical of a number of government policies and plans. However, on these Benches we stand four-square behind the coalition on the necessity of bringing the
deficit down. Now is not the time to spook financial markets. We have to look only at what is happening in the eurozone, particularly Greece, Spain and Portugal, to realise the incalculable cost to our economy if we were to lose market confidence. Look at our current borrowing rates. I think we are now selling our gilt-edged securities at a lower level than we have in modern economic history. That is a huge benefit to our public securities at a lower level than we have in modern economic history. That is a huge benefit to our public expenditure and we need to retain the confidence of the markets.

Taking the noble Baroness’s point about there being nothing in the gracious Speech about growth.

Baroness Kingsmill: I wonder whether the noble Lord thinks that the confidence of the markets is rather more important than the confidence of the electorate. It seems to me that throughout Europe the confidence of the electorate is being severely tested by the politics of austerity.

Lord Razzall: One of the advantages of the Fixed-term Parliaments Act is that it will take three years to discover the answer to the noble Baroness’s question. As regards the provisions about growth—it is a common criticism of the gracious Speech—I say to the noble Baroness, Lady Royall, that you do not legislate for growth; you create an economic climate in which growth can occur.

I have every confidence that the coalition Government’s policy is rather like the swan: above the water it is serenely swimming forward to reassure markets, while under the water it is paddling like mad in an effort to promote growth and hoping that the markets do not notice. There are a number of growth initiatives of which I know that my party is proud; for example, the creation of the green investment bank, the regional growth fund and the pension infrastructure platform to invest in UK infrastructure. Of course, there are more subtle ways in which the Secretary of State for BIS has been trying to encourage growth. It is significant that today, for the first time since 1976, we can announce a trade surplus in the sale of motor vehicles. As a betting person—who is usually successful—I suspect that will have some good news on Ellesmere Port. All sorts of initiatives are happening.

If we are to go for growth, the role of the banks is critical. The immediate problem, which is a statement of the obvious, is that the banking system is being required to do three things simultaneously. The banks are being asked to maintain and increase lending to the SME sector. At the same time, over the next two or three years, they will have to provide billions of pounds to refinance the borrowing of major companies that fall. They are also being asked to increase their capital base to meet the regulatory requirements. Even Solomon would struggle to meet those simultaneous requirements, which is one of the reasons why we have the problems that we do.

Everyone says that there is not enough lending to the SME sector, which is undoubtedly correct. The noble Lord, Lord Sugar, came to your Lordships’ House and told us that any SME company which wanted a loan could always get one, and if it could not

its financial plan was wrong. What world does he live in? The jury is clearly out on Project Merlin. The FSB says that a significant percentage of loans requested by the SME sector are not being granted. If we take the anecdotal evidence of the way in which some banks are behaving, we should look at what Barclays and NatWest did to Clinton Cards. They sold a £35 million loan book to American Greetings, which was the major supplier to Clintons. Immediately, American Greetings foreclosed on the loan and at least 8,500 employees are in danger of losing their jobs. Is that the way in which responsible banking should operate?

As regulation of banking returns to the Bank of England, the Bank must emphasise that effective regulation is crucial. First, the current system makes it difficult for new entrants either to compete with major retail banks or to introduce innovative new models, such as community banking on the American model. I suspect that my noble friend Lady Kramer will refer to that. Secondly, we need to think seriously about how the economy can rebalance as growth returns, away from financial services. The Vickers report looked at how we regulate banking in the context of risk to the taxpayer but the next task for future regulators is how to ensure that, as the economy recovers, the financial sector does not retain its bias in the British economy.

4.44 pm

Lord Bilimoria: My Lords, six months ago I read out this quote:

“The era of procrastination, of half measures, of soothing and baffling expedients, of delays, is coming to its close. In its place, we are entering a period of consequences.”—[Official Report, Commons, 12/11/36; col. 1117.]

Those were the words of Winston Churchill in 1936, and we all know what happened three years later.

We have finally had a Queen’s Speech, after what I believe was an unacceptably long gap of two years. Could the Government assure us that this will not happen again, and that we will have year-long sessions in future, as is customary?

One message that the Government have very clearly got across in their two years is talking tough about austerity, and the two big benefits of this have been that Britain has retained its AAA credit rating and continued to enjoy phenomenally low bond yields, as the noble Lord, Lord Razzall, said. But how long can tough talk last? I am glad that the Government have stopped blaming all the problems on the previous Government—although they have just done so. Now they are blaming Europe, and we have the eurozone crisis building up and about to explode, as many of us predicted. France and Germany, formerly the best of friends, are now at loggerheads, and there is growing certainty that Greece will have to leave the euro—it is almost definite—with all the possible contagion that this will bring. We have entered a double-dip recession. The Nobel laureate, Paul Krugman, wrote recently:

“Britain … has achieved the remarkable feat of doing worse this time around than it did in the 1930s”.

And what is in the gracious Speech? We hear that:

“A bill will be brought forward to reform the composition of the House of Lords”.

“Britain … has achieved the remarkable feat of doing worse this time around than it did in the 1930s”.

And what is in the gracious Speech? We hear that:

“A bill will be brought forward to reform the composition of the House of Lords”.
Is that the most important thing in the public's mind? We know that it is not. It is the lowest priority to this country, and if we go down that route we will be accused by our people of being like Nero, fiddling while Rome burns.

On top of this, we have had a Budget with some great measures in it, such as cutting the 50p rate of tax. I believe that it should go down to 40p. It also reduced corporation tax, which was fantastic. On the other hand, it was a PR disaster, upsetting so many people: charities, pensioners, heritage lovers, the Church of England and even pasty consumers. Now, as we have heard from the noble Baroness, Lady Royall, the Institute of Chartered Accountants in England and Wales has said that the child benefit plans announced in the Budget are seriously flawed.

On top of that, we have business leaders criticising the Queen's Speech for not having enough of a plan for growth for business. As we have heard, the response from the Government is that these leaders of business should stop whining and work harder. I know from running my business how tough it is to grow a business in this economic environment—and the Government are saying to me that I am not working hard enough? How dare they?

We have had blunder after blunder. The NHS reform has been badly handled to the extent that we face the dreadful thought of doctors going on strike. The defence review was rushed through, and now we face the blunder of having no carriers and no Harriers for almost a decade, with the Government executing a U-turn on the carrier aircraft which will cost us billions from the defence budget. Will the Government accept that they have made a blunder with regard to the loss of capability and of money on that score?

The Government have cut higher education funding, one of the jewels in Britain's crown. Just last week a report was released that found that in government expenditure as a percentage of GDP for higher education, we in Britain came 41st out of 48 countries in the world. I have been saying for many years that we need to increase spending on higher education funding. One reason the United States is always ahead of the game is because it invests far more, in absolute terms and as a proportion of GDP, in both public and private expenditure on higher education. That is why its productivity and its innovation are always streets ahead. Why do not we learn from that? Could the Government explain?

Then we have had the big society—big talk and big platitudes, with the best of intentions. People could genuinely question whether the Government are in tune and in touch with people. Only one city out of 10 wanted an elected mayor. Now we have had a U-turn on that. Will the Government accept that they have made a blunder? The turnout in elections is bad, with the best of intentions. People could genuinely question whether the Government are in tune and in touch with people. Only one city out of 10 wanted an elected mayor. Now we have had a U-turn on that. Will the Government accept that they have made a blunder?

On top of this we have had the immigration cap, which wrong-headedly encompasses foreign students. Would the Government admit that, by including foreign students in the overall immigration numbers, they are forgoing an enormous opportunity, which brings up to £8 billion into this economy? Nick Pearce, a fellow member of the UK-India Round Table and director of the IPPR, recently asked:

"Will the next generation of world leaders, like Manmohan Singh, Benazir Bhutto or Bill Clinton, be educated in the UK if the UK Government restrict the flow of students to the UK's world-class universities?"

As someone who came to study in this country from India, I know how much foreign students bring to this country and the bridges that we build for generations to come.

On the other hand, where schools are concerned, I pay tribute to my old sparring partner, Michael Gove. For two years running he led the Oxford Union while I led the Cambridge Union—although we will not ask what the result was. Last week we both spoke at the Brighton College education conference. I believe that he is doing absolutely the right thing in freeing schools from the shackles of local councils, encouraging free schools and academies, and appreciating the independent schools in this country, which are the best in the world.

The gracious Speech states:

"My Government will build strategic partnerships with the emerging powers."

As president of the UK India Business Council, which is backed by UKTI, I see the phenomenal opportunities offered by companies such as Tata, which owns Jaguar Land Rover, creates jobs over here and now exports Jaguar Land Rover cars back to India. That makes me feel very proud. However, as a proud manufacturer, I note that there was nothing in the gracious Speech about encouraging manufacturing or providing tax incentives for manufacturing. Will the Minister tell us why the Government cannot do this?

We have a bloated public sector that the Government are rightly trying to cut. Public spending should be 40% of GDP. We have taxes that are too high in terms of VAT, fuel duty and income tax, and we have a welfare state and a benefits trap that need to be addressed. I am glad to see that the Government addressed welfare spending in the gracious Speech although I understand that this is a sensitive issue.

**Lord King of Bridgwater:** The noble Lord says that no encouragement is being given to manufacturing. However, is he aware of the very encouraging recent news about major new investment in this country on the part of two major car companies? That is significant news for manufacturing and builds on today's very welcome announcement that this year, for the first time since 1976, we have exported more cars than we have imported.

**Lord Bilimoria:** I could not agree more with the noble Lord. All I am saying is that, if we had more incentives for manufacturing, we would have even more such success stories. In fact, Britain has so much going for it. We have the finest universities, the best in design and creative industries, tourism, sport, advanced engineering, the City and our financial markets, the accounting profession, the law profession, and we have our wonderful
At the warm welcome today. I look forward to hearing the maiden speeches of the noble Lords, Ashton of Hyde, a warm welcome today. I look forward to hearing the Baronesses, Lady Wilcox and Lady Royall, for their help in so many ways. I am also grateful to the noble Lord, Ashton of Hyde, for his speech. It has been a great privilege to have found myself with Bishops wandering around, bleating miserably about how much they are being paid. They need to create hope and optimism—hope, not hopelessness. We have so many strengths in this country; they just need to be unleashed. We need to unleash the great British spirit—the spirit of Great Britain—and unleash hope, optimism, opportunity and aspiration.

4.52 pm

**The Lord Bishop of Durham:** My Lords, I am astonished to be here for two reasons. First, I am astonished that I am here at all. Secondly, I am astonished at the warm welcome that I have received, for which I very much thank your Lordships and all the staff and people who work in this place, who deal very adequately with Bishops wandering around, bleating miserably that they are lost—or, at least, this particular Bishop. It has been a great privilege to have found myself helped in so many ways. I am also grateful to the noble Baronesses, Lady Wilcox and Lady Royall, for their warm welcome today. I look forward to hearing the maiden speech of the noble Lord, Ashton of Hyde, a little later.

I am privileged to be the Bishop of Durham in the north-east of England, which has been one of the most formidable and remarkable parts of this country for more than 1,000 years. It is a source of spiritual and material regeneration and the home of the Industrial Revolution in a way that continues to this very day. We have just heard mention of the new investment by Nissan in car plants and about the SSI steelworks on Teesside and the train assembly by Hitachi within a couple of miles of where Stephenson manufactured the Rocket. These are all areas of intense international competition. These investments show the capacity of the north-east to face anything that comes and to be successful.

This morning I was speaking with the chief executive of the chamber of commerce about a company near Newcastle that makes remotely operated vehicles for subsea work. It has created 500 jobs in the past five years, which, again, is extraordinary. We were talking about how we can develop a trade mission to Nigeria—a country that I know well—in connection with that and with the oil industry, which I also know well.

All these successes mean that the north-east is not a problem to be solved but, rather, an asset to the country to be treasured and valued. At the same time, we face the gathering storms that have been there since 2008 and are getting worse today, threatening even more damage than they have done in the past few years. We see that there are resources and there are great arguments about the rate at which one decreases deficits. However, it is clear to everyone that the Government do not have as much money as perhaps they would like. There are also great arguments about personal indebtedness. Certainly I have recent experience in the north-east of the current level of loan-sharking, which, as someone in Sunderland said to me, is now finding its golden age. People are very stretched.

One area that remains extremely liquid is the corporate sector—an area that I am familiar with, having at one time been the treasurer of an oil company. The Ernst & Young ITEM Club spring report of 2012 said that financial surpluses in the corporate sector are now at 3% of GDP, expected to rise to 5% in 2016, and that last year the sector added £80 billion to its cash hoards. That £80 billion is hoarded in the Keynesian sense of money put away not because it is needed to pay imminent debts or to manage cash flow but, rather, because there is a sense of a lack of confidence. Those are the issues that are being faced.

Even though the north-east is the only part of the country to have a balance of trade surplus, what is making matters worse is that engineering manufacturers are finding a shortage of skills. With youth unemployment at very high levels, they cannot hire people with the necessary skills for engineering. I have the privilege of being patron of the Northern Echo's campaign for jobs, which aims to create 1,000 apprenticeships and internships over the next 12 months by asking companies to take on extra interns and apprentices. Skills in engineering and manufacturing are learnt not simply in the classroom but by being part of a working environment. One of the best things that can happen—it is seen in the Budget Red Book and is alluded to in the gracious Speech—is the creation of opportunities for new apprenticeships and new learning and skills. However, that needs targeted resources—mere widespread exhortation is not going to do it.

The second major area is confidence. As I said, £80 billion is being hoarded because of a lack of confidence. Once again, confidence does not come through exhortation but through action, so companies feel that if they do not get on they will fall behind. On 24 April, the noble Lord, Lord Davies of Oldham, made some passing remarks about the pressure on the construction industry, with the 14% fall in January. This morning, looking at the Bank of England agent's report for the north-east, I read that 15% of all insolvencies in the past quarter were in the construction industry. Confidence comes from cranes and scaffolding: they build confidence as quickly as they erect buildings. Again, when resources are short, we need targeted use of money to bring about quick investment.

All over the country, particularly in the north-east, in schools and in the area of listed buildings—to the unschooled, I am dressed in a white nightie and a black dressing gown which means I have an interest in listed buildings as you might imagine—there is a large number of what President Obama refers to as "shovel-ready" projects. Those targeted investments saying, "You can have funds, grants, help and allowances provided you break ground within six months", would immediately create large numbers of jobs at a much lower cost than we were hearing last week had been spent on some job creation exercise.
The whole object is not merely economic growth and human flourishing. With economic growth we are able to deal with some of the great issues of human flourishing, such as loan-sharking, the breakdown of families, the high levels of unemployment and the 1,100 people who have visited a food bank that I opened last week—a food bank in this country. Such things destroy human flourishing and diminish the human spirit. The need for confidence and investment in skills is not merely to have a bigger economy but to enable us to see a transformation of our society. These things will not happen merely through exhortation but they require action and leadership.

5.01 pm

Lord MacGregor of Pulham Market: My Lords, it is a very great pleasure to follow the right reverend Prelate the Bishop of Durham. I believe he is extremely fortunate to be the Bishop of Durham Cathedral. In my youth, I remember travelling from Scotland to London and I was always astonished by that wonderful building. When one of my daughters went to Durham University, I was able to appreciate it even more. It is a most marvellous institution and how fortunate he is and how well in his speech he has represented the interests and aspirations of his community. As High Steward of Norwich Cathedral, I believe that Durham Cathedral is a very different rival but it is certainly an outstanding establishment.

In the list of his political interests, I was fascinated to see that the top two are finance and the economy, issues not always connected with right reverend Prelates. He has shown in his speech today just how much his interests lie in that area. At a time of very tough public expenditure decisions, I strongly agree with his point about targeted investment of public funds.

The right reverend Prelate has had a most distinguished career in the church, including being Dean of Liverpool. He speaks with great knowledge, giving a spiritual and ethical dimension to the issues that concern many of us, as the personal and ethical adviser to the UK Association of Corporate Treasurers and as chairman of an NHS trust. I hope that as we approach the issues of salaries, high rewards and so on we will hear him speak from his point of view.

In this debate, we have a limited amount of time so I do not want to make a general economic speech as that would take far too long and I would be repeating many others will say. Therefore, I shall focus on particular points. I say to the noble Baroness on the Front Bench opposite that I believe that she failed to recognise the impact of the huge financial deficit that this Government inherited. I believe that it will take many years to put right. I was interested to see that many of her points would involve substantially higher public expenditure.

As we look at the problem of the huge deficits in many eurozone countries, we should be grateful for the resolute policies that this Government have pursued. Without them, I shudder to think what the costs of borrowing would be now. Here I follow what the noble Lord, Lord Razzall, said. I have been somewhat surprised by some of the comments about the Queen’s Speech not giving priority to the economy. Of course, the Queen’s Speech is mainly concerned with legislation but there are seven pieces of legislation that will have a major economic impact. In particular, the Queen’s Speech makes it clear that the priorities are growth, which involves many policies beyond legislation, reducing the deficit and restoring economic stability. The noble Lord, Lord Bilimoria, mentioned finance Bills, which inevitably are not in the Queen’s Speech, but successive finance Bills have been very helpful to industry and to business generally.

I will concentrate on two issues. The first is the banking Bill, following the report of the independent commission, widely known as the Vickers report. I fully support what the Government are doing on this front and I am delighted that they have acted so quickly and as promised, despite the complexities of the issues. We have yet to see the Bill and obviously there will be a lot of concentration in both Houses to ensure that some of the difficult details are well sorted out. However, I am strongly supportive of the importance of the Bill. The Economic Affairs Select Committee of your Lordships’ House, which I chair, had a long session with Sir John Vickers. Although we did not come to any conclusions—that was not our intention—it was clear from the flavour of all members of the committee that we strongly supported the thrust of the ICB report.

Representatives of the banks, too, appeared before us. They appeared a bit reluctant but confessed that it was a done deal. Their main concern was about costs, and their estimate of these is in our report. However, the estimate of costs for the banks is small compared with the cost to the taxpayers and the economy of the bailout of the banking system over the past three to four years. If we needed a reminder of the importance of separating retail and investment banking, what happened at JP Morgan in the past few days was clear evidence.

I will concentrate on one further issue which has not had enough airing in the House: the impact on pensions of quantitative easing. This will need a longer debate, and I can only sketch out some of the issues this afternoon. Pension schemes in the UK were originally one of the jewels in the crown of schemes in the developed world. We witnessed a very sad decline in recent years in their range and scope, starting with the attacks on ACT by the former Chancellor of the Exchequer, Gordon Brown, which had a big impact. Since then, there has been the impact of longevity, the complexity of accountancy rules, the necessary legislation to prevent fraud and the collapse of schemes, leading to pensions Acts, pension regulators and PPF. The measures were all necessary, but the decline in the number of defined benefit schemes offered to all employees, and the restrictions of schemes on new employees and greater emphasis on defined contributions all accelerated the decline of defined benefit schemes.

Now the impact of quantitative easing is very clear. It is in addition to all that I described. Ten years ago, 80% of defined benefit schemes were open to new members. Now the figure is 19%. That is a dramatic decline. The big trend of schemes being closed to future accrual, as well as other measures to reduce the costs of meeting the deficit, is also substantial. The number
Much recent concern related to the impact of quantitative easing. The problem here is the way in which liabilities are defined in pension fund schemes. They are defined fundamentally in relation to gilt yields. Therefore, while asset values have time to time improved over the past few years, the problem facing pension fund trustees—I declare an interest as the chairman of three pension fund trusts—is that however well they do on the asset front, they cannot keep up with the increase in their liabilities because these are linked to gilts. In addition to the volatility that company directors and boards face in dealing with their pension schemes, there are big extra costs to meeting the deficit, which are increasingly being spread 10 to 15 years ahead.

At a recent Economic Affairs Committee meeting, I asked the Bank of England Governor what he was going to do about this. I got a string of points in reply about how, if pension schemes matched their assets to their liabilities, it would not be a problem—that is to condense his argument a bit. However, there are very few pension schemes that can do that. I believe that the Bank of England’s scheme is the only one that has matched its assets to its liabilities. The Governor’s case was that asset prices, especially gilts, rise when yields fall, and so in a sense solve the problem of matching assets to liabilities. That option is not available to any other pension fund scheme.

What we have seen on deficits is that the £200 billion of quantitative easing asset purchases pushed up the liabilities of pension funds by £180 billion. The second load of quantitative easing—the £125 billion of asset purchases—pushed up the liabilities by a further £125 billion. These are huge figures. What is happening is that pension schemes are now facing huge deficits as a result of how we define liabilities linked purely to gilts. The Pension Protection Fund estimated recently that the aggregate deficit for defined benefit schemes was £6,112; a drop of income of 20% driven largely by the fall in asset prices.

For example, a pension pot of a 65 year-old was £7,800 pension per year in 2008. It has now fallen to £6,112; a drop of income of 20% driven largely by the fall in asset prices. Pensions Regulator’s way out is to allow longer recovery periods. That is all that they can do if they go by the Pensions Regulator’s advice at the moment. We are having recovery periods going way ahead to 15 years and beyond. But that means an additional burden on the company and another problem that finance directors and boards face.

What is happening is that in this tough economic climate, companies are being asked to make increasing contributions for recovery periods, therefore cutting back on their schemes, when we could find a different way of defining liabilities. What I ask, therefore, is that as the National Association of Pension Funds and others have been urging, the regulator and the Bank of England make a joint statement indicating their understanding of the situation and willingness to explore ways of approving other methods of valuing liabilities during this period of such low gilt yields. In doing so, I am following a recommendation of the Treasury Select Committee in the House of Commons, which asked for virtually the same thing.

I hope that we can return to this matter and debate it in greater detail before long. Meanwhile, I urge my right honourable friend to take up that recommendation in consultation with the others to see if there can be some way of overcoming the serious difficulties that pension funds now face.

5.12 pm

Lord Myners: My Lords, it is a pleasure to participate in a speech on the humble Address and in particular to welcome the maiden speech from the right reverend Prelate the Bishop of Durham, who has already warmed the House to his wisdom and sense of social responsibility. I also look forward to the maiden speech of the noble Lord, Lord Ashton of Hyde—another old Etonian added to the House and a former joint master of the Heythrop Hunt. He is therefore incredibly well informed, no doubt, on the Prime Minister’s thinking on so many policy issues.

The gracious and humble Address contains many good measures that I welcome. As an adopted person myself, I am particularly pleased to see that the Government are giving priority to adoption issues. I also welcome the comments from the Minister about board remuneration, although I continue to believe that the core issue requires institutional shareholders to take more seriously their responsibility in the appointment of the directors and members of remuneration committees. They should best achieve that by becoming members of board nomination committees.

I will concentrate on the economy and on the Bank of England. Mr Andrew Tyrie MP, the Chairman of the Treasury Select Committee, who is a wise and informed man, said in October 2011 that the Government needed:

“A coherent and credible plan for the long-term economic growth”.

He was right and that argument remains the same. As he observed at the time, many of the Government’s policies are downright contradictory. The noble Lord, Lord Skidelsky, in our debate on the European Communities (Amendment) Act 1993 held on 25 April, drew the attention of your Lordships’ House to chart 2.4.
in the Treasury document, which clearly shows that the deficit is almost entirely due to the collapse in national output.

The engines that the Government assumed were going to drive growth are simply not working at the moment. Manufacturing activity is not picking up and business investment remains extremely low because of the absence of confidence in the economic outlook. The noble Lord, Lord Razzall, said that the jury was out on Project Merlin. I am afraid that he must have been out when the jury reported that the project has not worked, and the Government have admitted that by not renewing it. In fact, we know we are back in recession, and today’s Bank of England forecasts further confirm that, even though in the period immediately after the general election the economy was growing strongly. So noble Lords will recognise that we now have an economic management that has added incompetence to complacency. The Treasury team is too posh to comprehend what is going on and is now petulantly blaming others for its own failures. We have an economic policy that is devoid of intellectual coherence or economic endorsement—a mixture of assertion, dodgy definitions and flawed calculations.

Fortunately, external developments will give this Government the cover to change their economic policy if they so choose so as to give priority to raising demand and addressing the shortfall in output. They should take bold action to encourage housing, both private and social, which has a very positive contribution to make in its multiplier effect on the economy and on job creation. They should encourage investment in infrastructure. This is the time to say that we are going to build a third runway at Heathrow, push ahead with HS2, build more roads and invest in schools. It is a time when the cost of funding is low and when capacity is available—precisely when a Keynesian would expect the Government to be supplying demand into the economy. The Government should be encouraging capital allowances because they would have a much more immediate impact on the economy than by cutting corporation tax, albeit that that is a good thing to do over time. Now is the time to invest in skills, and the time to introduce another temporary cut in VAT in order to encourage demand. However, the Government do nothing.

On the supply side we hear a great deal of talk about cutting red tape, yet we have heard today from the Minister about the groceries code adjudicator. I want to put words in his mouth but I would like to make a couple of comments that essentially spring out of his argument. I was referring to the noble Lord’s proposal to give to the governor. Additional authority and responsibilities that the Bill proposes to give to the governor. It will be unfair on the new governor for the Whip about to ask me to come to a close. The Whip allowed the noble Lord, Lord MacGregor, a little more leeway.

Baroness Rawlings: My Lords, I remind the House that the suggested length of contribution is seven minutes. Of course, that exempts noble Lords who speak after a maiden speech.

Lord Myners: I was referring to the noble Lord’s contribution to the debate as opposed to his endorsement of the right reverend Prelate, which he had completed at the point when we were allowed to leave the Chamber if we wished.

The current governor is probably the least distinguished since Walter Cunliffe, who served from 1913 to 1918. He has politicised the Bank of England and disregarded the outlook for inflation. We are introducing a policy of financial repression. When we debate the Financial Services Bill, we need to look very carefully at the additional authority and responsibilities that the Bill proposes to give to the governor.

Baroness Kramer: My Lords, I also congratulate the right reverend Prelate the Bishop of Durham on his maiden speech. It was genuinely a very powerful speech on the issues that we are addressing today. I do not want to put words in his mouth but I would like to make a couple of comments that essentially spring out of the remarks that he made, because I think they are very important.
The right reverend Prelate’s speech seemed to underscore the need for the rebalancing of our economy, both by region so that the north of England has the opportunity to thrive after so much historically has been concentrated in the south and south-east, and to diversify away from the dependence that we have had for several decades now on the financial services industry, to rebuild other services and our manufacturing base. This Government should take credit for picking up and working with this issue and with the regional development fund, enterprise zones, centres of excellence, and for the stimulus and tax breaks they have given to those investing in new enterprises, in order to begin to achieve that kind of change. This has become a cornerstone of government policy, one that was utterly neglected by the previous Government, and that is crucial.

The right reverend Prelate also talked about the skills gap. I think it is commonly recognised across this House that jobs are available but that youngsters are without the skills to take them, and that is an extraordinary situation. Again, this Government, particularly my colleague and friend Vince Cable, have pushed ahead with apprenticeship schemes, which had been nowhere on the agenda for at least a couple of decades, and with the youth contract, which is a fundamental change in the attitude towards upskilling our young people so that we can build the industries of the future. It is so important that enterprise and manufacturing have long-term, sustainable potential, whereas for years—and I understand that Labour did this partly because it did not see what was going on—we had an economy that was built on very large growing public debt, on individual and consumer debt growing at an extraordinary rate, and on debt within our banking system, which was taking down and knocking up false profits to expand balance sheets. Instead of an economy based on burgeoning debt in various key sectors, one hopes that we are now moving into an economy that is sustainable because it is based on genuine contribution, creativity and production.

The right reverend Prelate talked about the cash surplus being hoarded by many of our leading companies. That is a crucial issue. This cash surplus is down to confidence, but it is also a result of many of our major companies having failed to take the opportunity to build their export markets. We are in the most extraordinary situation where Belgium sells more to China than we do. Sir Roger Carr has spoken today about business leaders having to earn their way in the world. He regretted our failure to exploit and to do business with emerging markets and said that we were still not punching at our weight, never mind above our weight. We had similar comments from the City of London last night. There is a real recognition that British business has failed to build its trade and business and to take opportunities in the emerging markets. I fear that part of the reason for hoarding this cash is the bad habit of many of our corporations of simply thinking that they are looking for an opportunity for acquisitions rather than building new product lines and expanding into new markets.

I want to raise with the Government the issue of infrastructure. I am a great supporter, as I suspect are many in this House, of the green investment bank. It was extraordinary to hear the noble Baroness, Lady Royall, say that no investment was being made in infrastructure because the green investment bank is an important breakthrough. However, will the Government confirm in relation to the £3 billion that will be used to capitalise the bank that their goal is to get that money out into investment by 2015 and not just to have the money committed? The two things are very different. Commitments can stretch over a far longer period. For economic growth, it will be important to be on a trajectory of getting £3 billion out of the door.

Others will know that I have been disappointed by the tax incremental financing proposals in the Local Government Finance Bill, because this is another opportunity for infrastructure investment. TIF 1 will encompass only very small projects—it is welcome, but it will not change the world. TIF 2, which has the potential to revolutionise and expand our infrastructure and is driven by local recognition of local needs, is capped at £160 million for the period. I hope that the Government will look at that again. Infrastructure investment in affordable housing surely has to be one of the opportunities that we seize. It seems amiss that credit easing has not encompassed housing associations as one of the areas where it can provide some additional stimulus.

I would be very interested in talking about finance for SMEs, but the Government have allocated time for a debate on those issues next week, for which I thank them. However, we must recognise that our high street banks are not in the business of lending to small and micro businesses and that we must build alternatives to that, whether it be some or all of local and community banking structures on the German or the US model. We have to start looking at how we credibly expand and take from fringe to mainstream the various online lenders, and we have to look at the innovative bond markets, particularly social impact bonds and social impact financing.

I see that I am running into my seven minutes, so I shall choose to sit down. Before I do so, perhaps I may say that the Government deserve more congratulation than stick on their plans for economic growth.

5.29 pm

Lord Ashton of Hyde: My Lords, it is a privilege, but a rather daunting prospect, to address this House for the first time. I am lucky to have had the right reverend Prelate to pave the way with such an impressive speech. I thank the noble Lord, Lord Myners, for his kind words—I think they were kind. His facts were right, but the conclusions were wrong: I am not a confidant of the Prime Minister. In fact, he did actually write me a letter the other day, which was very kind of him, but he got my name wrong.

I echo the right reverend Prelate in thanking all those who have made my short time here so welcome and interesting, especially Black Rod and his staff, the clerks, the doorkeepers and particularly my mentor, my noble friend Lady Sharples. She has treated me with affectionate discipline, rather as one would treat a wayward spaniel, and I am very grateful to her.
In many ways, it would have been obvious to have spoken in the debate about constitutional affairs. My great-grandfather came to this House in 1911, at the height of the furore over what became the Parliament Act. He had for many years been a Liberal MP, from a long line of northern non-conformists. Just over 100 years later, we are still talking about many of the same issues.

Apart from my Liberal heritage, I am able to speak here today because I was elected—albeit, I must admit, not by a huge electorate. I was elected under the alternative vote system, so one could say that I should be a natural supporter of the coalition. It seems, however, that there is very little to say about constitutional affairs that has not been said in the past couple of days, so I thought I would talk about a subject near, if not dear, to my heart—regulation. In doing so, I should declare an interest as the chief executive of two insurance companies and a member of the Council of Lloyd’s.

At the beginning of the gracious Speech, Her Majesty said:

“Measures will be brought forward to further strengthen regulation of the financial services sector”.

I am certainly not advocating a return to light-touch regulation. This would be impossible, and we have seen only in the last week the sort of things that can go wrong at JPMorgan Chase. We expect regulation to be firm and consistent; no business that thinks it is any good wants to be undercut by cowboys acting irresponsibly. However, we also want it to be pragmatic, proportionate and targeted correctly. This is where the implementation of regulation as set out by Parliament is so important. It can make the difference between sensible, prudential regulation and expensive self-serving bureaucracy.

I shall give an example from my own industry, the insurance industry. It is labouring at the moment under the introduction of Solvency II, which is the most far-reaching reorganisation of the way insurance companies organise themselves and their accounts for 30 years. It is driven entirely by EU directives and has produced a tidal wave of bureaucracy and expense which seems to be largely unnoticed outside the industry. Lloyd’s alone reckons that it will spend £300 million on complying with the Solvency II requirements, not to mention the cost of ongoing compliance.

The Lloyd’s Internal Model application pack alone will be 6,000 to 7,000 pages long. It is estimated that the insurance industry is going to produce 500,000 pieces of paper to support the Solvency II application to the FSA. To put that into perspective, if you pile boxes of photocopying paper one on top of the other, 500,000 pages is almost exactly the height of Nelson’s column. Nor is this a light read: it is full of complicated mathematics and mind-numbing details—for example, verifying the complex assumptions in the very detailed and complex stochastic models.

I think that what Parliament might not realise, when it makes perfectly sensible regulations at a high level, is the cost of compliance with the detail. I do not see this improving if this House is full of 450 elected, professional politicians. Everything from minutes of meetings, policies, terms of reference and succession plans to detailed descriptions of the data in a company and all its interdependencies now has to be documented in minute detail. In the words of modern regulators, “If it isn’t written down, it hasn’t happened”. These documents have to be written, reviewed, signed off—often by the board—checked, monitored and reviewed regularly for ever more. The idea that more documentation in itself is useful regulation should, in my view, not be accepted as given.

There is a strong feeling that the FSA has lost its sense of proportion in implementing Solvency II. It is very sensitive to the charge of gold-plating regulation but many in the industry feel that, in its insistence on more and more documents, it has lost its perspective in regulating the process rather than the outcome. You cannot help wondering whether all this detail and the requirements are more to help the regulators regulate, and to attribute blame if something goes wrong, than being about proportionate, risk-based regulation. To cope with this regulatory burden, the FSA has proposed a whopping 37% increase in the annual funding requirement for 2012-13 for the insurance industry. That is on top of the huge cost of Solvency II.

I remind your Lordships that this is all for an industry which did not cost the taxpayer a penny during the financial crisis, employs 350,000 people and contributes £10 billion to the Exchequer each year. I very much hope that when my noble friend the Minister further strengthens regulation of the financial services sector, he will do his utmost to ensure that it is implemented at individual company level in a proportionate way under the new arrangements, and in a way which addresses the outcomes rather than the process itself.

5.36 pm

Lord Hunt of Chesterton: My Lords, it is a pleasure to welcome the noble Lord, Lord Ashton of Hyde, to this House. As my noble friend Lord Myners mentioned, the noble Lord was at Eton College. I used to play soccer for Westminster against Eton College. We used to draw honourably, so that was all right. The noble Lord’s background, as he described to us, was in the City—although I might make a party political point here. He said that it was natural that he should be a supporter of the coalition. For somebody who is in insurance to back something as risky as the coalition seems to me not at all clear, so maybe he would like to reconsider his evaluation of risk in that context.

It was of course very interesting to hear the noble Lord’s wise remarks about regulation. I am an applied mathematician and I think that I have worked with all his companies, which are involved in the Lighthill Risk Network involving academics and the City. That was extremely interesting, as the way in which the City has developed risk methods in computers and mathematics is an important part of the world and Lloyd’s of London is a great leader. The breadth of the experience of the noble Lord, Lord Ashton, from hunting through to the Army and in insurance, will, I am sure, make him a very welcome Member of this House.

Turning to my remarks on the Queen’s Speech, I hope noble Lords will have learnt that there is a new principle afoot in this House enunciated yesterday by the noble and learned Lord, Lord Howe. He said,
more or less, that if an issue is not in the Queen's Speech, you had better look it up in Magna Carta to see whether the same issue was discussed. He was referring to standardisation of the measurements of wine and corn, which are well discussed in Magna Carta but were somewhat absent from the Queen's Speech. In my case, I should like to speak on the environmental issues, which are extremely important. They were mentioned well in the Magna Carta, with its references to the responsibilities of office holders and landowners to maintain as guardians the natural environment and resources of this country—forests, rivers and fish.

In the constitutions of several other countries, the Kings and the Parliaments are given clear responsibilities for the environment. In Malaysia, where I was recently visiting, the King—the Yang di-Pertuan Agong—has to maintain 50 per cent of the land for natural forests. That is a remarkable commitment, which I was pleased to hear from local business is supported. The British Parliament has, over the years, had an international reputation for some of its legislation, from the Clean Air Acts and the formation of the National Trust to the Climate Change Act. Perhaps a reformed House of Lords, with its legislators having several years without electoral pressures, should have certain special responsibilities. The United States Senate is responsible for treaties. For the reformed House of Lords—perhaps with our new Magna Carta—we should have special responsibilities for the environment, natural resources and even the long-term existence of the UK. The Netherlands Government have an Act of Parliament in which their coastline is fixed but, as a debate in the Lords in 2000—my first debate—pointed out, the United Kingdom does only cost/benefit analysis as to whether the coasts are defended, as the sea level rises with climate change and the post-ice age land movements continue.

As the noble Baroness, Lady Wilcox, who is a practical environmentalist with her interest in fish, reminded us, the government programme in the Queen's Speech has two major Bills to be considered, one of which is on energy and the other on water. The Bill on energy aims to ensure that the UK has adequate power supplies that minimise carbon emissions and have different components to ensure security. We need wind and solar power systems but, since these can fail in critical weather conditions that are becoming more frequent with climate change, nuclear power or other clean fossil fuels, such as those with carbon sequestration, also need to be part of the system. I applaud this Government for continuing the previous Government's solid policy in this direction.

However, I criticise the Government for failing to argue strongly enough about the importance of the continued reduction of carbon emissions, not only by power stations but also by traffic. We are no longer run by Mr Toad at the Department of Transport, going faster and faster, but it is common sense, important to point out that there is a strong connection between the short-term health benefits of reducing emissions from traffic as well as the long-term benefits of dealing with climate change. The Government should focus on the short-term benefits to explain to people why dealing with carbon emissions is important. They should not be bamboozled by certain Lords, and their well oiled propaganda machine, who continue to comment that there is no such thing as climate change. In fact, temperatures over the land areas of the world and the surface layers of the ocean are steadily rising, as is sea level. Desertification and drought are increasing. Some of the records in peak rainfall are one of the greatest climate change concerns to south-east Asia and southern China. Peak rainfall records are being broken year on year. They are now up to 150 millimetres an hour from about 100 millimetres an hour 20 years ago. The Governments of Brazil, Mexico, China and Indonesia are all introducing legislation. Of course, all of these countries remarkably agreed at the Durban meeting of the United Nations Framework Convention on Climate Change to develop a road map for an international treaty after 2015. The idea that the world is moving away from climate change is simply not correct.

We all support the government objective in the Queen's Speech of expanding the UK economy, especially its exports. However, I am afraid that many companies and officials think that the UK Government could do a lot more to help export UK products and expertise in environmental technology. Small and medium-sized enterprises—I declare an interest as a chairman of an SME in Cambridge—need some kind of project financing and travel expenses to promote their products. I hasten to say that our own company does not seek this, but many SMEs have spoken to me about this issue. They compare the situation unfavourably with the support given by foreign governments to their companies. This is why governments in Asia, I am told by officials, are often asking "Where are the Brits?" at trade fairs and other events that are trying to promote environmental technology. UK officials are too embarrassed, they tell me, to say that the UK Government hardly covers expenses so that SMEs cannot attend these trade fairs.

An equally serious limitation is the UK Government's technical agencies not being encouraged to use their expertise and people to promote UK technology. I know this—I used to be head of the Met Office. The House of Commons Science and Technology Select Committee is looking into this. Two years ago, at the beginning of the previous Session of Parliament, the noble Baroness, Lady Wilcox, reported on how all this would change, but I am afraid that I have not seen that, nor have I heard it from officials or indeed SMEs.

One of the great successes of this Government in environmental technology is in the development of satellites and remote sensing. I applaud them for that. However, this success also needs more government support. Last week there was a great crisis in the observation of the Earth's systems and data as one of the most important older satellites ceased operating and no new ones are planned. There were leaders this week in the Economist—most unusual in the Economist on such a technical question—and Nature pointing out this crisis. Without data from these instruments, it will be impossible to provide warnings about natural disasters and long-term climate change.

Government plans for the G8 meeting in 2013 to focus on security and prosperity while monitoring and sustaining the environment are also important and there is great scope for international collaboration and trade to come out of that meeting.
5.45 pm

The Earl of Lytton: My Lords, I add my congratulations to the two maiden speakers, particularly the noble Lord, Lord Ashton of Hyde, who I thought was about to shoot my fox in turning his attention to regulation, which I want to concentrate on, too.

I welcome the Government’s commitment to reducing regulation and red tape, and am pleased to see that a number of measures have been put in place. The question that I want to concentrate on relates to business rates. These are one of the largest premises costs after rent, typically relating to about one-third or one-half of the rent itself. Very small businesses get some relief, but the extra cost of that is passed back through the system and is borne by other business rate payers. The businessman has no democratic voice, unlike the council tax payer; no services are provided for his payment and, save for extreme and demonstrable hardship, there is little relief. Empty rates, meanwhile, are levied on all but the tiniest premises and stalk the minds of those with empty and unlettable properties.

The system is under considerable stress in terms of the management of the business rates environment. First, due to inadequate resources made available to the Valuation Office Agency, whose predecessor body I was once an employee of, the initial accuracy of figures in the valuation list has suffered. Secondly, the valuation base year for the 2010 valuation list that we are currently in is in fact the antecedent year of 2008, the peak of the market. Many commercial values have fallen a great deal since then, and rates have accordingly become more onerous for that reason. In fact on 1 April this year they went up by 5.7%, an increase that, had it applied to council tax, would have been fairly instantly stamped on. Thirdly, as I have said, the risk of liability for empty rates makes owners of unlettable buildings desperate to reduce their exposure. Regrettably, the VOA has allowed itself to change its role from being the impartial government valuer, when I was part of its predecessor organisation, to a strategic player in the maintenance of a tax base. I view that with considerable regret, as do a number of other professionals in this field.

I understand that the Valuation Office Agency and the Valuation Tribunal, which deals with appeals against rating assessments, just about manage to handle the current inflow of appeals but have no resources to clear the backlog, amounting to some 146,000 or so outstanding cases, some going back to the 2005 valuation list. Typically it might take two years for an appeal lodged today to receive even an initial substantive response from the VOA. Meanwhile, the rates are payable in full. The Valuation Tribunal, which appears to operate on a computer system different from and largely incompatible with that of the VOA, has in recent times produced a plethora of practice statements and other regulations making for immense complexity, such that even some of the experts no longer understand the system.

The businessman is forced to take advice from others. Unsurprisingly, in the confusion, unscrupulous practitioners emerge promising rate reductions they cannot deliver, charging high up-front fees and making mass appeals which further swamp the system. More draconian regulation then follows naturally from the Valuation Tribunal, and the Valuation Office Agency becomes more defensive in its administration as a natural consequence. Soon nobody knows whether they are coming or going, whether an assessment is correct or up to date and so on. This is a fairly corrosive mix. Justice is denied, fairness has gone out of the window and a rather unsavoury mercantile element seems to have entered the minds of those administering the system, which dents confidence in it. We do not need confidence to be dented.

For years, the smallest of small businessmen have voted with their feet. The threshold costs of moving to a conventional rented office or other commercial accommodation are too high at the margins. The market adjustments are too slow in terms of bringing rents and rates into line with affordability. If the necessary adjustments were made, I suspect that insolvencies and write-offs would be very large indeed. So microbusinesses operate from spare bedrooms, converted garages, garden sheds and other domestic spaces. Their marketplace is the web, which is also their shop window. Good luck to them. I am one of them. I have been using one end of my home since 1988. To use a term from one professional acquaintance, this domestic environment has become the new business enterprise zone, free of rent, rates, business premises regulation, legal set-up costs, travel-to-work overheads and so on. It is not lost on such business operators that the council tax on an average band E or F dwelling is less than half the rates on an equivalent area of business space.

Nobody is charged with policing what happens here, and nobody has any real interest in investigating further what is happening on the ground. There are no checks on, for instance, whether a second home with its council tax reduction is also a holiday home run as a business. Charging authorities have no incentive to check up on this either, as they are merely collection agents for someone else’s revenue stream.

Business rates are not the only place where this sort of thing happens and where the management of all sorts of things from environmental health, health and safety, employment rights, planning rules, landlord and tenant law and so on cumulatively affect small businesses, in particular small businesses that start as microbusinesses and want to become small and medium-sized enterprises and grow on from there. I believe this is a great country in which to start a business, but I am not sure that it is quite such a good one in which to grow it on once it has got going.

5.53 pm

Baroness Noakes: My Lords, it is a bit rich that the party opposite has tabled its amendment to the Motion for an humble Address. It seems to have collective amnesia about the economic mess that it left this country in only two years ago. Let me remind it that it left behind a very large deficit. There is no doubt that some of the ballooning of the deficit was down to the financial crisis, but the Labour Government had been consistently spending beyond their means in the run-up to that crisis. They failed to reform welfare spending and failed to deliver efficiency in the delivery of public
services. They had overcommitted the defence budget by £38 billion. They left behind a legacy of debt and forecasts of more deficits to come, but they also left no credible plans to reduce them. That was not just our opinion; that is what the IMF and the OECD told us.

Since my Government came to power, we have delivered firm action to control public expenditure and to eliminate the structural deficit. We have balanced the defence budget. Debt will be falling as a percentage of national income by the end of 2015-16. It is through that resolve that we have reduced the cost of borrowing and kept it low. Yesterday, gilt yields were at their lowest for 300 years.

The noble Lord, Lord Myners, who is no longer in his place, is wrong about interest rates. They are a reflection of market confidence, as anyone can find out by looking at what is happening to eurozone interest rates. I hope that, when he winds up this evening, the noble Lord, Lord Davies of Oldham, will tell the House what he thinks interest rates would have been today if his party had continued to manage the economy.

I pay tribute to my right honourable friend the Chancellor of the Exchequer for delivering this impressive result. The economic headwinds have not been favourable in the past two years. He could have lost his nerve and taken the advice of the party opposite to spend our way out of trouble. However, Labour has never explained how it would have done it.

Our economic policies are often given the label of “austerity” but we are not in the same league as Greece. Our public expenditure will continue to rise. At the same time, we are taking 2 million people on the lowest incomes out of taxation altogether. We are managing to escape from the millstone of a 50p tax rate and reducing corporation tax rates to more competitive levels to support our economy.

There is no doubt that the economic outlook continues to be troubling. The uncertainty created by eurozone instability is a big problem. I can see no future for Greece remaining in the euro and the best thing for it would be to exit, or “Grexit” as Willem Buiter would have us say. Other eurozone countries are also struggling. Spain and Italy are again having a bad week in the bond and credit markets. We need the eurozone to sort itself out, which is why I support the Bill, which has already been introduced, to endorse the eurozone stability mechanism. However, there is not much else that the Government can or should do to support the eurozone. We should certainly not put our cash into a eurozone rescue fund.

The Government can do things to support growth in our economy and have done a lot already. However, there is more to be done and I would have liked to see more in the gracious Speech to support UK businesses. In particular, I would have liked to see a commitment to reverse more of the regulatory burdens and employee rights imposed by the previous Government. These are the very things that make running businesses, especially at the small and medium-sized end of the spectrum, particularly tough.

There are some parts of the legislative plans in the gracious Speech about which I am not entirely enthusiastic. We are promised legislation to reform competition law to promote enterprise and fair markets, which sounds good in theory. However, competition law has often ended up being a big stick with which to beat our most successful businesses. A wholly blame-free company can end up with a lot of costs and huge distractions from running its business if the OFT launches an unnecessary investigation. Let us see whether the Bill really promotes enterprise.

In the same Bill we are promised the green investment bank, about which some noble Lords seem enthusiastic. It is not a bank in any real sense. It will put money into things that sensible banks would not touch with a barge pole. It will be gambling with taxpayers’ money. Even the cheerleading report on the green investment bank commissioned by BIS goes no further than to say that, “it is unlikely to have a significant impact on economic growth … in the short term, but there might be some benefits in the long term”.

We are paying homage to the green religion at just the time that other countries are seeing that green policies are expensive luxuries. We do not have any spare money for such luxuries. We could spend the £3 billion that has been committed to it on so many more things that would promote our economic growth.

We are also promised a Bill on the reform of the electricity industry. But, in plain English, that means more subsidies for green energy, which in turn means more costs for British businesses and domestic consumers. I hope that the Government will start to understand that the cost of energy in this country is a very real burden. They need to find ways of reducing it and not increasing it. This is another unaffordable green luxury.

Last year, my right honourable friend the Chancellor of the Exchequer got it right when he said that he would not save the planet by putting our country out of business. When these Bills come forward, they must be justified against that background.

Finally, I turn to the promises of legislation on the financial services sector. There will be two Bills; namely, the Financial Services Bill, which was carried over from the previous Session, and the banking legislation. I agree with the noble Lord, Lord Myners, on the need to look carefully at the powers of the governor. However, there is one thing that is not likely to be covered in either Bill, which I hope that the Government will want to address. The Bank of England has resisted calls to publish an assessment of its role in the financial crisis. I do not understand how we can be expected to consider legislation explicitly designed to remedy deficiencies that arose during the financial crisis without that background. How will we know whether the problems related to the crisis have been dealt with? I hope that my noble friend the Minister will have an answer to this problem before he brings the Bills before your Lordships’ House.

6.01 pm

Viscount Simon: My Lords, I feel somewhat out of step with most noble Lords who have spoken in that I will not be talking about financial matters. The proposal
to introduce legislation to address the problem of driving under the influence of drugs was not only in the gracious Speech but was mentioned in the newspapers a few days earlier. It had, none the less, been my intention to raise this subject had the proposals not been included in the Government’s legislative programme.

I find it interesting that the Transport Research Laboratory now estimates that drugs are an important factor in a quarter of road deaths. Along with the Department for Transport, the company that produces a drug swipe test carried out the world’s largest trial at the roadside. Almost 100% of the 5,000 drivers stopped agreed to partake in the testing and most saw no problem with being screened in the future. A report was made but the press office at the DfT denied its existence to inquisitive journalists for some years. Why did it do that? I have no idea. Any legislation in this area needs to address those who cause the most harm. At the same time, it should ensure that its provisions can be enforced effectively by efficient use of existing resources and by guaranteeing that it does not become overbureaucratic and overburdensome on officers and the CPS.

Many types of drugs could impair driving ability and care must be given to those that need to be included in any analysis and to determining the appropriate reading for driving legally. It should be remembered that a road vehicle is a lethal weapon and that alcohol or drugs can impair a driver’s reaction. The law does not recognise that when a driver kills someone, and that needs to be changed.

When the Serious Organised Crime and Police Act 2005 was passing through this House, one of my amendments was agreed. It enabled an evidential breath test for alcohol to be taken at the roadside and used in court, rather than the driver being taken to a police station where the reading might fall due to the time that has elapsed prior to getting the official reading. The kit for this test has still not been officially approved, despite it already being available to officers. I hope that the drug testing apparatus will be approved immediately; after all, it is being used very successfully in many other countries. To put the problem into perspective, in 2010 the number of drug-driver prosecutions in the UK, which has just been released by the Department of Justice, was 34. During the same period, the number of drivers losing their licences in Germany, where the drug swipe test was used, was 34,000.

Lots of people think that roads policing officers, who used to be called traffic officers until the name was adopted by the Highways Agency, purely give out tickets for exceeding the speed limit, but that is not the case. They are officers at the front line of crime fighting and their specialist skills and knowledge enable them to deter, hunt down and arrest serious criminals. I always think of these officers as police officers first and roads policing officers second, as their arrest rate for non-traffic offences is quite exceptional. Bearing that in mind, with budgets being reduced I wonder whether the proposed training will lead to a reduction in standards. As an aside, although it is somewhat relevant to this, a few years ago I was invited to a police driving school to sit in on the testing of three

officers as response drivers and not—I repeat not—as roads policing officers. All three officers passed. I subsequently told the inspector that I would have failed one of them and gave my reasons. He said that I was probably right but that the course had been reduced from three weeks to two.

Training has been reduced on quite a large scale and it is not only the public who might become involved in this reduction. Should something go wrong, the officers might become the subject of investigation. I recall a police pursuit being stopped recently for health and safety reasons purely because the person being chased was not wearing a helmet, and if an accident had occurred the officers could have been temporarily removed from their specialist duties.

When departments are reduced, it is imperative that roads policing skills are not lost and that continual training is maintained in order that officers can deal with fast-roads policing. About 10 years ago, I passed the police’s fast roads course, since when driving conditions have changed. Perhaps I should declare that I am qualified in roads policing. Driving behaviour has changed and visible patrols are vital to maintain the confidence and discipline that led to a reduction in casualties over the past 10 years. However, with the number of roads policing officers and marked police vehicles decreasing, I would not be surprised if those statistics showed an increase in casualties in the near future. It is acknowledged that the threat of being caught is an effective deterrent, whether it be by breathalysers, drug swipe tests or speeding, but they all require trained and experienced officers.

It is interesting that partnership enforcement operations exist to target coaches and heavy goods vehicles. I have attended three of these operations where not only very highly qualified roads policing officers but people from Customs and Excise and VOSA are present. They are very efficient and I just hope that, with the financial cuts, they will be allowed to continue.

We have seen proposals to raise the speed limit from 70 mph to 80 mph and to decrease it from 30 mph to 20 mph in certain areas. Average speed cameras are very effective but they are not everywhere, just as roads policing officers are not everywhere. So how will these changes be enforced? Numerous research and common sense shows that a speed limit raised to 80 mph would result in more collisions and, because of the increased speed, more road deaths and serious injuries. After all, while vehicle design may change the human body does not. This, of course, flies in the face of the DIT’s long-standing commitment to reducing collisions and casualties.

The Ministry of Justice consultation document, Getting it Right for Victims and Witnesses, fails to make any proposals to improve the services offered to victims and witnesses of road deaths. Paragraph 56 says that more needs to be done but fails to make any recommendations. It is proposed that responsibility for the funding of victims’ services will soon be handled by appointed police and crime commissioners, but that will not be underpinned by a set of minimum standards that would ensure a consistent approach across the country. The Road Victims Trust, of which I am a patron, is concerned that the already patchy
approach to support victims and witnesses of road deaths will simply be made worse. With pursuits being closely monitored and health and safety at the forefront of senior officers’ minds, will officers, within the bounds of the law, be allowed to follow and stop those who are driving dangerously?

Finally, road casualties and deaths are a national issue that requires a joined-up and co-ordinated response. The Government have a duty to ensure that, with the advent of police commissioners later this year, suitable methods are employed to encourage greater co-operation between government departments, the Department for Transport, the Home Office, the justice department and individual forces to continue to drive down the blight of deaths and injuries on our roads for years to come.

6.09 pm

Baroness Randerson: My Lords, we cannot legislate our way out of debt, although I seem to recall that Gordon Brown tried to do so when he was Prime Minister. However, we can use legislation to encourage enterprise, stabilise the banking system, encourage businesses to create more jobs and stimulate green investment. All those key issues were tackled in the gracious Speech, which outlined measures that reinforce the coalition’s policies for promoting growth by emphasising regional growth, rebalancing the economy away from the disastrous over-reliance on the finance sector under the previous Government. Then there is the policy of encouraging the growth of SMEs, emphasising the importance of manufacturing and developing skills.

I want to draw out two measures announced in the Queen’s Speech. The first is the Groceries Code Adjudicator Bill, which is all about the small producers being empowered to stand up to the big retailers to get a fair deal, not just for the small producers but for the consumers as well. The noble Lord, Lord Myners, who is not in his place, mocked the Bill earlier this afternoon. I fear that he might regret that, because the farming unions and consumer organisations are probably even now penning letters and e-mails to him to put him right on the importance of the Bill. It has been a very long time in coming; the first record that I found of the debate on it was in 1998 when Colin Breed, a Liberal Democrat Member in the other place, produced a report on supermarkets and competition, which led to the Competition Commission producing a voluntary code of practice in 2000. Like so many voluntary codes, it was ineffective because suppliers were afraid to make complaints. The issue was discussed very many times in the new Welsh Assembly; in the 12 years I was there I heard the debate year after year about the power of the supermarkets and the complaints of the farming unions about that power.

Another report came in 2008, and in 2010 the Competition Commission produced the groceries supply code of practice. Andrew George MP has said that the problem with that is that it is like having the rules of rugby without the referee. We need the adjudicator—we need the referee. During the passage of the Bill, I look forward to having the time to debate the place of financial penalties and the need for a third-party complaints process. I am glad that the Bill encompasses both of those.

Unlike the noble Baroness, Lady Noakes, the second Bill that I wish to welcome is the one that includes provision to establish a green investment bank. Indeed, the bank is already up and running in skeletal form, and loaning money. Globalisation of the economy has led to such fierce worldwide competition that it is sometimes difficult to see where we can have the edge as a nation in competition. We clearly cannot sell ourselves as a low-wage economy throughout the world, so we must choose sectors where we have the technical advantage. The green economy should be one such sector. It has the advantage of being good for the planet as well.

Over the last two decades, I have been increasingly frustrated at the number of cutting edge initiatives on renewable energy that have been developed in my own home country of Wales and have been rejected for development funding—either commercial funding or government grants and loans—on the grounds that they are too risky and an unknown quantity. Hey presto, a couple of years later those same initiatives have been adopted and adopted in other countries in Europe, usually in Scandinavia, where they have taken the initiative and are now at the head of the field. This is an example of how the finance sector in Britain does not look sufficiently long term at investment issues. I believe that the green investment bank will help to change that outlook and provide that vital funding.

It is customary in debates such as this to regret desirable proposals that have been omitted from the Queen’s Speech, but I welcome one omission. I was very pleased that there was no reference to the introduction of regional pay. I have not been able to follow the logic that argues that higher public sector pay crowds out private sector jobs, especially at a time of high unemployment. I do not believe that the evidence has been correctly interpreted. I accept that the UK is not economically homogenous and I know that the previous Labour Government introduced local pay in the courts system, apparently successfully, so I await the outcome of the Government’s consultation on this but am very pleased that there is nothing in this Session.

Finally, I want to express my regret that there was nothing in the Queen’s Speech on the reform of the Barnett formula. There is now wide agreement that reform is overdue; indeed, there are ongoing talks between Governments on the issue and I hope that they will soon bear fruit. I know that there is irrefutable evidence that the formula short-changes Wales and I believe that the Government accept that. I understand with the upcoming referendum in Scotland that this is not an easy time to change the formula. I understand that in the middle of an economic crisis it is not an easy time to change the formula. But there is a short-term solution that would not impact on Scotland and not cause massive financial implications for the Government—that is, the introduction of a so-called Barnett floor mechanism that prevented any further convergence in funding between Wales and England. I remind the Minister that Wales is officially the poorest part of the UK. In order to be true to the Government’s aim to stimulate regional growth, it needs special attention.
6.16 pm

**Lord Low of Dalston:** My Lords, I, too, congratulate our two maiden speakers, and have pleasure in adding my word of welcome to the House. I was astonished still to see a House of Lords reform Bill in the gracious Speech after the local election results. As the noble Lord, Lord Bilimoria, said earlier, a clearer case of fiddling while Rome burns it would be hard to imagine.

But to Rome burning, which is the matter in hand. It is hard to say anything that has not been said many times over here, but as there is little sign that the Government are listening it might just be worth saying again. We have heard about the enormity of the challenge facing the Government on taking office, and that is not denied, although there might be dispute about the reason for it. What is at issue is the right way of going about dealing with it. To begin with the unpalatable but ineluctable facts, the Government’s policy is not working. I am not just saying that as some kind of parti pris politician or economist; I am just saying what any fool knows.

After gathering momentum out of recession under the last Government, the economy has essentially seen no growth at all since the autumn of 2010. Output is still more than 4% below its peak in 2008 and probably will not regain that level until some time in 2014. This is a far longer period of depressed output than the great depression. The official forecast at the time of the emergency Budget of June 2010 was that we would now be growing at over 2.5%, with unemployment falling sharply. Instead we see not just low growth but continued high deficits as well. Indeed, in the past year, the deficit on current spending hardly changed, with almost all reduction in the total deficit coming from cuts in investment spending. While the deficit may have edged down, however, net debt has risen from 43.5% of GDP in 2008-09 to 66% in 2011-12, and is set to reach 76% in 2015-16.

We have debated the Government’s economic policy on a number of occasions in this House over the last couple of years, and a number of your Lordships have been concerned to argue that it was unlikely to work, but they were forced to admit that they just did not know. Now, however, with the advent of double-dip recession, we do. I do not know whether the Minister will try to pretend otherwise this evening. However, if he does, we will know that he is just whistling in the dark for we have the advantage of a sort of controlled experiment on which to draw. While Europe has been following the path of fiscal contraction—most notably, of course, in the UK, with the recessionary consequences that we all know about—the USA has been applying a fiscal stimulus, with startlingly different results. People argue about the extent of the stimulus and just how startling the difference is, but that there has been a stimulus leading to growth of around 2% per annum is undeniable. Therefore, we have a clear correlation here: with contraction goes recession; with stimulus goes growth.

Last October, at Question Time, I put it to the noble Baroness, Lady Wilcox, that the Government had got their policies in the wrong order; and asked:

“Instead of pursuing deficit reduction in the short term and growth in the medium to longer term, should they not be pursuing growth in the short term and deficit reduction in the medium to longer term?”—[Official Report, 11/10/2011; col. 1526.]

Everyone recognises this now but differs in where they place their emphasis in this regard, and is calling for a greater degree of flexibility. Business is calling for it. Even the markets—the Government’s cover for doing nothing—are calling for it. In truth, the Government recognise it: hence the various plans for growth with which we have been regaled over the months, which have all come to naught and which are bound to come to naught while the Government go on pursuing their self-defeating policy—what the noble Lord, Lord Skidelsky, dubbed their insane policy a couple of Queen’s Speeches ago—of retrenchment and austerity, which is essentially antithetical to growth.

Indeed, the Chancellor has had to extend the horizon for reaching his deficit reduction target by two years and allow debt to rise by £150 billion: hence we now have the ultimate irony of the ratings agencies putting the UK on negative alert. Clearly, the Prime Minister has learnt nothing from his time as special adviser to the noble Lord, Lord Lamont, who, in his recovery budget of 1993, explicitly postponed fiscal retrenchment until growth had been given a chance to take hold. In fact, the Government did not start cutting the structural deficit at all until 1994-95, by which time the economy had been growing for 18 months—by then at a very healthy pace of over 3%.

The Government say that you cannot borrow and spend your way out of recession. It is usually said that you cannot do so at an individual level but that you can do so macroeconomically; actually, you might be able to at an individual level if you happened to strike lucky on the 3.30 or the lottery. However, at the macroeconomic level you can borrow to invest in jobs and growth—for some people, this is counterintuitive—thus creating a virtuous circle rather than the vicious one that we are in at the moment, with the bulk of the cuts still to bite and incalculable damage already being done to the fabric of our society. The National Institute of Economic and Social Research has calculated that at current very low rates of interest you could finance extremely cheaply—for example, with the revenue raised by the “pasty tax”—a £30 billion programme of infrastructure investment on things such as roads, schools and hospitals, which have been cut by half over the past three years and will be cut still further over the next two. What you cannot do is cut tax and save your way out of recession.

I asked an economist friend why he thought that the Government kept pursuing this insane policy, and he replied, “Well, they like cutting, don’t they?”. This was rather confirmed by the noble Lord, Lord Sassoon, on 22 March, when he said:

“As the Government, we have to continue to reduce the burden of the state. If we do that, the economy will flourish.”—[Official Report, 22/3/12; col. 1031.]

So what takes the place of the state? Is it the big society? But that is being cut too and we should remember that it was the state that had to step in to remedy the inadequacy of the big society. The other possibility is that the PM and Chancellor have just painted themselves into a corner with their rhetoric about not spending your way out of recession. However, as we have seen, the markets are now calling for a more flexible approach and the agencies have put the UK on negative alert.
One thing that the Government are good at is fixing Labour with responsibility for the crisis, and we have heard more of that this afternoon. However, that debases the currency of debate. If the eurozone crisis has a part to play today, the global crash must be accorded a role in 2008. What is sauce for the goose is sauce for the gander, and the Government should admit that they would have had to do much the same as Labour or else we would all have gone under. It is disappointing that Labour has not made a more convincing fist of pointing the way to an alternative. Until it can, disillusion with the political process will grow and Mr Galloway will continue to find a ready ear for his message that what we are witnessing is a crisis of capitalism in which the poor are expected to carry the can for the greed and mismanagement of the capitalist class. The Greeks are indicating that they have had enough. Other countries will not be far behind. The zeitgeist is shifting as between austerity and growth.

I end with three predictions. First, the first quarter figures will be revised upwards to show that we are not in a double-dip recession. Secondly, the next three quarters will show zero growth, give or take. Thirdly, unless the Government change course pretty soon, they will be swept from power at the next election.

6.25 pm

The Lord Bishop of Hereford: My Lords, like others, I pay tribute to the eloquence, insight and wisdom of the two maiden speeches that we have heard. Like the noble Baroness, Lady Randerson, I wish to focus for a moment on the groceries adjudicator and welcome the statement in the gracious Speech that there will be, “legislation to establish an independent adjudicator to ensure supermarkets deal fairly and lawfully with suppliers”. That, surely, is good news, and is certainly welcomed by the church, by many other organisations and, of course, by farmers and suppliers.

The church has been pressing successive Governments since 2007 to put protection of farmers and other suppliers on a legislative footing. Our landmark report, Fairtrade Begins at Home, produced by our Ethical Investment Advisory Group, highlighted the sometimes pernicious practices of supermarkets, which farmers and suppliers have, alas, to accept as a fait accompli of doing business with them. The revised Groceries Supply Code of Practice has been a move in the right direction but needs the adjudicator if it is to work effectively and give the protection which, sadly, is still needed. However, we do not need just any adjudicator. We need one who will have sufficient powers to ensure compliance with the code, including powers to fine at a realistic level if the code is breached and correction is not achieved by other means. It is also vital that the adjudicator is able to initiate investigations where they are needed and indicated by reliable evidence from different sources, including third parties such as trade associations and whistleblowers. All supermarkets that behave ethically and deal appropriately with their farmers and other suppliers will have nothing to fear from this welcome piece of legislation.

Although the announcement is welcome, there is much more that can and needs to be done to continue to support farming and rural communities in a wide range of areas, to which there was, sadly, little reference in the gracious Speech, but where I continue to hope that action will nevertheless be taken. Let me mention some of them. Over the past few weeks, dairy farmers have seen the price of a litre of milk fall by 2p. I am told that in some cases this now means that the price they receive is 3p or even 4p below the actual cost of producing the milk. This is clearly unsustainable and hugely worrying, not just for the farmers and their families but for us all since we have already seen a large number of dairy farmers go out of business, and, I regret to say, are poised to see many more do the same. That does not help us achieve food security or protect such a key area of the industry. Government action on unfair milk contracts, and the breaching of contracts, would be welcome, and would surely help this vital area of our farming.

It is good that slightly more young people are training to enter farming. I say this against a background of farming creating 2.2% more jobs last year and becoming more profitable and productive over the past five years. Yet there is an urgent need to do more to arrest the decline in the number of young people in farming, as well as in the countryside more widely. There is, of course, a complicated web of factors that influences an issue such as this. Among those factors is a paucity of university and higher education posts, an associated lack of research-based work opportunities and, linked to that, continuing slow broadband speeds, affordable housing, a lack of rural public transport, fuel costs and struggling rural services—all the things with which we are very familiar but which still need urgent attention. Constructive steps can be taken in many of those areas. For example, the reintroduction of a rural housing enabler would help a good deal, as would assistance with fuel poverty and revisiting the vexed issue of post offices, not least when we hear about more bank branches closing.

The announcement of proposals to reform the electricity market is welcomed by the church as a supporter of community energy. In relation to that and to the energy Bill, I would add that I hope that, in considering what I think is referred to as the nuclear option, the Government will give real and serious consideration to investing in the use of thorium, which, like others, I see as a far safer and genuinely greener alternative to uranium.

Not surprisingly, I am compelled to point out that the proposal to charge VAT on repairs to listed places of worship is utterly misguided. It is a policy which, if carried through, will cause huge damage and, I think, outrage across the country, especially in small rural communities. Some 45% of the nation’s grade I buildings are churches.

I also feel compelled to register the continuing urgent need for the vexed and hugely damaging matter of bovine TB to be properly addressed. The industry and most vets remain committed to a badger cull as one of the necessary measures to control the spread of the disease, while also supporting further work and research on vaccinations as a critical piece of the picture. Unless the primary wild vector is tackled, there will be no chance of eradicating this dreadful disease, even if everything else possible is done.
In conclusion, I hope that the Minister will not only register the serious issues referred to but ensure that the right kind of groceries adjudicator is put in place, that action to support dairy farmers and eradicate bovine TB takes place, that further work is done on a whole raft of other pressing rural issues, and that there is a restoration of zero VAT rating for our listed places of worship.

6.32 pm

**Lord Patten:** My Lords, certainly in my part of the south-western dairying country, what the right reverend Prelate has just said will go down very well—“Bishop calls for speedy badger cull”. They will like that very much in my part of Somerset.

In declaring my current business and financial interests, I wish to concentrate on four paragraphs only in the gracious Speech: paragraph 2 on the deficit; paragraphs 3 and 7 together on regulation; and, finally, the last paragraph, which prefigures other measures that might be laid before your Lordships’ House.

Turning, first, to the deficit in paragraph 2, I strongly support the Government’s policies. That is a rather unfashionable position to take in the debate this afternoon in the face of the newly fashionable anti-austerity, pro-growth-at-any-cost consensus that seems to be sweeping across Europe and its political community. So far as concerns the deficit, I believe that we must stay the course. We have not yet really begun to deal with the effects of cutting Labour’s increase in public expenditure of more than a half in real terms when it was in office. To start swerving before the rubber has even begun to hit the road would be a self-inflicted political, as well as economic, act, waving goodbye to our AAA rating and saying hello and welcome to the bond market barbarians who are at our gates at the moment watching for the first sign of exactly this sort of capitulation by the United Kingdom.

If we need our deficit-reducing backbone stiffening, we need look no further than France, where meeting the deficit target of 3% of GDP by the end of 2013 is going to demand an extra €24 billion or €25 billion in terms of changes to be found via expenditure cuts and/or tax increases. I am afraid that even in France there are not enough bankers’ bonuses to go round to meet that sum. Therefore, we need to look to our own devices in our own businesses to help with faster deficit reduction and to help to fight our way out of the current double-dip recession. One of those ways is through regulatory reform. Often this can be done through a set of minor measures but they lead to great help for our businesses.

That leads me to paragraphs 3 and 7 in the gracious Speech. I know that the coalition realises that businesses, both large and small, are its friends—or should be—for its prosperity and that of our listed places of worship. They work hard, as Ministers do. I sometimes worry that both business men and women and Ministers work too hard over too long hours and do not leave themselves enough thinking time. At the same time, those in the business world welcome the encouragement that coalition Ministers give them through, for example, leading export promotion delegations abroad, where Ministers and businesses work very hard together. It is just that at the moment those same businesspeople do not necessarily feel confident enough to pull the investment trigger, particularly those with exposure to Europe and the problems faced there, and particularly also those faced with recession at home and what some would argue is a sclerotic banking lending system, with a shrinking money supply and so on, to which little list businesses would add regulation.

Therefore, on the plus side of the measures in paragraphs 3 and 7 in the gracious Speech are the excellent proposals to overhaul employment tribunals here, as well as repealing some unnecessary regulations there. That is good. On the minus side are some potentially burdensome new rules, such as rights to flexible employment, extending time off via shared parental leave and so on. There is no doubt that this is great news for the beneficiaries but it is less great news for employers, as it will put heavier burdens on job creators.

Just as my hard-working and incisive right honourable friend Mr Francis Maude is busy reducing the number of quangos, lo and behold up pops in paragraph 7 of the gracious Speech the man or woman who is to be the groceries code adjudicator—something that I would certainly recognise as a quango. I do not know whether your Lordships have all received one of these but the Department for Business, Innovation and Skills favoured me, by kindly sending an illustrated booklet about this new quango. The centrefold contains a quite lurid close-up picture, without any explanation of why it is there, of that very staple of the lunchboxes of working Britons—the imported and very expensive fennel bulb. There is no mention of why the fennel bulb is picked on in this document. We may learn later from the Minister about our Government’s fennel policies. The only thing that is mentioned is that the adjudicator will be protecting suppliers abroad, as well as at home, so there will doubtless be dancing in the fennel-producing fields of Mediterranean Europe tonight when they know that this adjudicator is going to look after their needs.

Do all these measures taken together—a bit less regulation here, more regulation there—equal a carefully balanced package, as I would like to think, or is there some self-contradiction, as I rather suspect? Whatever the answer, the instinct to regulate is still deeply embedded in our governmental genes. Ministers for deregulation are soon outfoxed. Deregulation tsars come and go, make speeches at party conferences and platforms, both parties calling for this and that, and are strangled shortly afterwards. Rising civil servants know that to swim against the regulatory tide is not to guarantee a clear path to becoming a Permanent Secretary. Therefore, I am concerned that we are continuing to have difficulty in getting a balanced approach to regulation.

I turn to the last paragraph of the gracious Speech, which prefigures, through a legislative glass darkly, what might come in due course in terms of new legislation in this Session. Emerging through the legislative gloom, I would still like to see sensible economic measures to promote non-inflationary and non-bond
The only way out of this mess is to begin to rebuild our economy in the real world, reducing our reliance on the financial sector; investing in the things we excel at: high-quality and precision engineering; the digital economy; higher education; tourism; the media and the arts; and, critically, leading the world in tackling climate change and reinventing our energy systems to beat our addiction to expensive fossil fuels.

On this last point, the Government are to bring forward legislation to deliver reform of our electricity markets. But are these reforms in the interests of the many? Will they reduce consumer bills? Do they guarantee that investment will flow into low-carbon technologies? The answer, sadly, on all fronts, is no. The Bill has been written at the behest of the nuclear industry, which, in reality, is represented by just one state-subsidised French company. Those who want to build today’s reactors know that they cannot compete on the open market and have persuaded the Government to offer long-term contracts which guarantee prices. The chosen mechanism of support—contracts for difference—suits large-scale, base load providers but does not suit the development of offshore wind and other renewables. It is not certain whether they will clear state aid rules and they will do nothing to oblige the companies winning the contracts to build anything. We hear that they will be underwritten by the consumer—not the Government—which is a novel legal arrangement that may not give the investors the confidence that they say they need. Just today, six energy companies, including one of the big six, have written to the Government describing the proposals as a potential train wreck. We urge a rethink. It is likely to be a bad Bill because the existing nuclear industry is still the cuckoo in the nest of the UK energy policy, distorting it and robbing resources from the other elements of energy policy.

On top of this, in these difficult times of record energy prices, rather than saving consumers’ money, it will cost them more. The one element that we were promised, which would help to reduce consumer bills, was the creation of a market for reductions in energy demand—so called “negawatts”—but we now hear that this important element of the Bill is unlikely to be included. Why? The answer is because it would serve the interests of the people, not the powerful elite who control our current energy policy and markets.

Another major failing is that the Government are interested only in electricity market reform. What about the two other elements of energy policy: how we heat our homes and how we fuel our vehicles? Here the rising price of oil and gas has had a great impact on the household budgets of millions of people who are still dependent on their gas boilers to heat their homes and the petrol pump to get to work. On these markets the Government have been silent, despite the fact that there is a growing problem that they must face up to: falling tax receipts from fuels. Squeezed by rising prices, people are taking action to insulate themselves by buying smaller and more fuel-efficient cars and turning down the thermostat. However, as the Daily Telegraph mentioned yesterday, it seems that the only answer that the Government have is to increase fuel duty, instead of having a complete rethink and ushering in market reforms that help to provide a smooth transition to a lower carbon future across all energy sectors.
sectors. They are, after all, all interrelated and we need a thorough and much more imaginative take on how to do this market reform and not simply to focus on electricity.

Rising fossil fuel prices are a huge issue that we must address. However, we do not need all our time to be taken up with considering a nuclear subsidy Bill that masquerades as a market reform Bill because no one is brave enough to be honest that that is what they are doing. For those struggling to pay their gas bills, we need to look again at how to improve the quality of our houses and to encourage greater use of electricity for heating. We need a return to the Economy 7 policies of the 1970s but, this time, with a view to enabling people to benefit from the increased use of energy from wind and solar power when the wind is blowing and the sun is shining. In transport we need to challenge the might of the oil companies and introduce real competition, not just between the oil majors, at every level of the supply chain, but also to enable alternatively fuelled and electric cars to penetrate the market more quickly.

Above all, we need a Government who can empathise with the real difficulties experienced by people around the country. We do not need a group of people detached from the real world governing the country for the benefit of the elite. Sadly, there is little or nothing in this gracious Speech to show that the Government have either the desire or the imagination to do this. This legislative agenda will not lead the country towards a more prosperous and secure future and it is a missed opportunity. I am sorry I cannot be more positive and that, ahead of us, we have three more years of trying to correct and prevent some of the Government's worst mistakes.

6.48 pm

Baroness Miller of Chithorne Domer: My Lords, before I turn to the main subject of my speech, I must say how surprised I was that the noble Lord, Lord Myners, chose to mock the Groceries Code Adjudicator Bill. Coming as he does from Cornwall, I would have thought that he would be on the side of the small producers who, in the past, have often had such a raw deal. I am very surprised that he did not welcome that. I warmly welcome it as it is long overdue.

The main subject of my speech is the environment. Today we are meant to concentrate equally on the environment and the other subjects but the environment is having a raw deal this afternoon as regards the time devoted to it. Today is also the centenary of the founding of what we now know as the wildlife trusts. They were founded in May 1912 by Charles Rothschild, who held a meeting to discuss his radical idea about protecting nature conservation as we know it. There are now 47 wildlife trusts covering the whole of the UK, the Isle of Man and Alderney. Through thick and thin—hard times, recessions and good times—they command tremendous public support.

The wildlife trusts do an amazing job: raising public awareness about wildlife, getting local communities involved and campaigning on local and national issues. They collect scientific evidence and their records of wildlife declines and increases are invaluable. They promote wildlife-friendly methods of farming and land management. I congratulate them on their centenary.

At both a macro and micro level, the environment is critical to the economy. As Nick Clegg said in his speech on 11 April this year, the environment contributes to our economy in a range of ways, many of which we do not always appreciate. He went on to say that lean times can be green times. His comments followed the Government's review of EU habitats regulations. The review came to the welcome and correct conclusion that habitats regulations are not a burden on development.

It is not just economic contributions that are important. Many people feel uplifted by seeing a cloud of peacock butterflies on a buddleia bush or watching a heron fish, which we can do in central London—and many of us have. There is something equally special about the experience of hearing a lark's song miles from anywhere after a stiff climb up a mountain, or seeing a herd of red deer grazing. In every case, one species does not stand alone; it is part of an ecosystem, with some at the top of the food chain such as buzzards or stoats—an animal close to your Lordships' hearts—or moles, which of course are at the top of the in-soil food chain. Instead of swearing at the molehill in the lawn, one should welcome it as a sign of a richly biodiverse soil.

I welcome especially our Government's initiatives, including the natural capital initiative, in which a leading UK forum will bring together scientists, policy-makers, business, industry and others to discuss how the ecosystem approach might be implemented in practice. Defra has just launched the Ecosystems Knowledge Network, which is a resource for anyone wanting to share knowledge or learn about the practical benefits of the ecosystems approach. These are very important developments towards understanding why it is important not just to save individual species but to join up the networks so that every species can be part of the chain.

In June, we will have the Rio+20 conference. There are no major treaties this time—it will be more about ways of working and sharing knowledge. The ecosystem will be recognised as the foundation of life. There will be moves to monetarise natural capital and realise its value. However, as invaluable and irreplaceable as ecosystems are, they need to be valued for themselves as well. I wish Rio+20 much good luck and look forward to hearing from the Government what our contribution will be to a successful conference.

6.53 pm

Lord Higgins: My Lords, this Queen's Speech has been debated against the background of the recent election results. It is true that all Governments have mid-term problems, but the recent ones seemed to be particularly obscure. Some were due to a degree of mismanagement and some to a high degree of bad luck. They also reflected contempt for Parliament by the Government in a number of respects. It was said that the Budget was bad; that was the general received view. In fact it was a perfectly reasonable Budget. What was true was that it appeared that the details were
given to the press the day before—totally contrary to all the traditions of Parliament. Of course, that was the good news, so perhaps it was not surprising that the bad news got all the publicity the day after. I hope that those responsible were demoted or fired, or some other appropriate action was taken. Similar things happened with the Queen’s Speech. We must restore a situation in which important statements are made first to Parliament and not given to the press the day before, creating an anti-climax the day after.

There is also evidence of clear contempt in the programming of legislation in the other place. Perhaps my noble friend would like to speculate about how many Bills in the Queen’s Speech scheduled to be introduced in the other place will be programmed. That is an area where the Government are preventing the House of Commons doing its job. This is to be deplored. It is a fact that we have therefore carried a much heavier burden. This must stop. The practice was introduced by Tony Blair. We gave an assurance that we would not do it; and we are doing it. It must stop because the issues in the Queen’s Speech must be debated properly in both Houses of Parliament.

I will say a word about the amendment tabled by the noble Baroness opposite. It does not take sufficient account of the first six items in the Queen’s Speech, which all relate to what she complained about. It is also the case that the overall effect of the Government’s inheritance must be taken into account.

I will say a word or two about the fashionable item of the moment: growth, or stimulus. We should revert to the old-fashioned idea of demand management, with a clear statement by the Government on how they intend to proceed in stimulating demand so that we mop up excess capacity and, once we have got close to the limit we can reasonably achieve, increase demand in line with what we expect productive potential to be.

There is an intrinsic problem in stimulating growth by cutting the deficit and using fiscal means to stimulate that growth. The burden has been placed much more on monetary policy, which concerns me. Gordon Brown was criticised on many fronts, but not for the fact that monetary policy was handed over to the Bank of England. In fact, it was not monetary policy for many years, but an interest-rate policy. Certainly we have now virtually exhausted the possibilities of using lower interest rates to stimulate growth.

I am also concerned that more and more of the burden of economic policy has been placed on the Bank of England. There is a case here. In the course of introducing its monetary measures, the Bank must take into account the overall situation on unemployment, growth and everything else. The Treasury has very nearly abdicated the day-to-day running—and perhaps the longer-term running—of the economy to the Bank. We must consider, particularly given the additional burdens that we are now going to place on the Bank, whether that is the right way of proceeding. Perhaps the Treasury should reassert its authority.

Having said that, and given that we have to rely on monetary rather than fiscal measures to support growth, I welcome the introduction of quantitative easing. It has been a help to stimulating growth in the economy. However, the method employed is open to increasing doubt. My noble friend Lord MacGregor admirably set out the effect that it has had on companies’ private insurance and pension schemes. It is a very serious matter, which he spelt out very lucidly. Should we adopt other means of increasing the money supply? We could abandon the traditional fully funding rule by not funding the whole of the deficit. Part of the problem with the present system is that money goes to the banks, which hang on to a great deal of it instead of lending it to people who then invest it. We should perhaps consider other more direct means of stimulating growth by means of the money supply. Indeed, since we are clearly printing money, we could simply print the money and give it to whatever suitably investment-prone institution is likely to use it.

I turn finally to the question of the eurozone and in particular Greece. We have a situation where Greece has a debt problem and an exchange rate problem. The eurozone authorities are concentrating on the debt problem. They can go on bailing out Greece with the debt problem until Kingdom come, German generosity runs out or alternatively the streets of Athens go up in flames. This is an immensely depressing situation. But they have to face the fact that no amount of bailout in the foreseeable future will restore Greece to a competitive situation. The only way to cure the exchange rate problem is for the exchange rate to change by Greece leaving the eurozone.

One particular point has only become apparent in the light of various statements made by the different multi-political parties in Greece and the argument, “Oh well. Don’t let’s bother with austerity: the eurozone will bail us out just the same”. The left wing parties are putting that forward and it may turn out to be right. But we also have to take into account the real dangers to the banking system as far as this is concerned. I will conclude in one moment. Paradoxically, the right answer in this respect may be to bail out Greece on the condition that it leaves the eurozone, because that will mitigate the otherwise disastrous effects on the international banking system. Again, we have underestimated the technical problems of all this. They are very great indeed but alas I do not have time to spell them out.

7.02 pm

**Lord Young of Norwood Green:** My Lords, first, I congratulate the right reverend Prelate the Bishop of Durham and the noble Lord, Lord Ashton of Hyde, on their maiden speeches, which were stimulating and interesting. I do not want to say too much about the economy because that has been amply covered by my noble friend Lady Royall in her contribution and the noble Lord, Lord Low, in his analysis. I want to concentrate on the failure to stimulate the economy to produce growth and the impact that that is having on youth unemployment. I will also speak about apprenticeships, which will not surprise anybody I am sure.

On Monday, my noble friend Lord Kennedy asked a Question about youth unemployment and said that there were more than 1 million young people unemployed. The response of the noble Lord, Lord Freud, was that if you took away the students, the figure was only...
719,000. He did conclude that that was perhaps a little too high. There is certainly no room for complacency in this area. Students will eventually leave the world of acquiring knowledge and will require jobs. Like thousands of young people, they will be faced with the reality of making hundreds of job applications only to find that they are lucky if they get any response at all to those applications.

Yesterday, I listened to the noble Lord, Lord Ramsbotham, speak eloquently about young people being locked up for hours in cells in institutions. He said how debilitating that was because they were not learning anything. But what about when they leave young offender institutions and fail to find a job? If there is any bigger challenge in dealing with youth unemployment I cannot think of one.

I do not want in any way to denigrate the Government’s attempts to deal with this problem, apart from their economic policy. Their approach to apprenticeships has been good. It has been enthusiastic. If you look at the overall figures, they look like good news. We are told that there are something like 450,000 apprenticeship starts. But if you start to disaggregate those figures, you find that there are large numbers of adult apprenticeships. I do not question the fact that we should have adult apprenticeships, but we need to look at quality not just quantity in terms of apprenticeships, and there is some disturbing news coming through about the quality. I raised in another debate in the Moses Room the recent “Panorama” programme which showed what purported to be apprenticeships were delivering very little training at all and certainly no job at the end of them.

We were criticised when we were in government for having programme-led apprenticeships, and we started to faze those out. We said it was not an apprenticeship unless there was a job at the end. The Government need to focus carefully on this. There is a place for adult apprenticeships. It is an opportunity for people to re-skill, but some of the experiences that we are getting these days in relation to large companies employing large numbers of adult apprentices gives us cause for concern.

There are areas where I believe the Government have an opportunity to ramp up the number of apprenticeships and there are some practical things that they should be doing. If we think that we have solved the problem because numbers are increasing I remind noble Lords of two statistics that should worry us. Only something like 4% to 8% of companies employ an apprentice and only a third of FTSE 100 companies have an apprentice. We have not created a culture of apprenticeships by any means, even though the situation has significantly improved.

What can we do to improve it further? The Government should lead by example. I have said that on a number of occasions and I make no apologies for repeating it. I do not understand why they do not heed that advice. They should demand that wherever they have government or public contracts there should be a commitment for apprenticeships. We did it for the Olympics and we got well over 300 apprentices. We got Crossrail to commit to 400 apprentices. I do not understand why the Government somehow believe that the marketplace will do it. That is not the right way forward and it is something they could demonstrate by leading by example.

If you want to involve more SMEs, giving them £1,500 will not crack the problem. It is a help, but creating more group training associations, where there is a hub that deals with the basic training and administration of apprentices, is a tried and trusted formula. I went on the National Apprenticeship Service website today looking for progress on GTAs. As I read it, I thought that it looked familiar. That is hardly surprising because it is dated October 2009. I know that work is being done, but it is not enough. We need to be driving it harder and further. The same can be said of apprenticeship training associations.

It is a shame that the right reverend Prelate the Bishop of Durham is not in his place. He said that skills are not just learnt in the classroom but they are learnt in the workplace. We need to ensure that things like the green investment bank and regional growth funds start to deliver. He gave a good example when he talked about “shovel-ready” jobs in the construction industry. We should be worrying about the fact that we still have a downturn in the construction industry. I also concur with the other right reverend Prelate who talked about the fact that VAT is to be put on the cost of repairing listed buildings, which seems to be a totally self-defeating policy. I hope that the Government are listening and that they recognise the scale and size of the problem of youth unemployment, and will do much more to create more apprenticeships.

7.10 pm

Baroness O’Cathain: My Lords, as has already been said, it is an honour to take part in a debate on the gracious Speech. Like so many others, I was tempted to take part in the debate on constitutional matters, but on a self-denying ordinance I took a vow not to on the basis that everything that should be said or could be said on the reform of the House of Lords had been said. I am not sure I was totally right about that because there were one or two nuggets during all those hours of debate—and we should not forget that we also had a full day of debate a short time before that debate. Frankly, I do not think we should publicise the fact that we spent two full debating days on 17 words in the Queen’s Speech, because that is what it amounted to. It would be difficult to justify, particularly as they came, as I have said, hard on the heels of a full day’s debate. There is also, I am afraid to say, overwhelming evidence that, outside the precincts of Westminster, very few people are even remotely interested.

I believe that there are many thousands, indeed many millions, outside the precincts of Westminster who are intensely interested in the issues being considered in today’s debate: agriculture, business, the economy, energy, the environment, local government and transport. Many of the contributors to this debate have commented on some or all of them. Each one of these issues is of huge importance to all the citizens of our country, whether they are really aware of it or not, and we should keep our minds and eyes firmly fixed on those instead of on our little local difficulty. Our responsibility is to ensure that all Bills related to the areas we are considering today are carefully scrutinised, debated and improved through the legislative process in this House, using all our experience and expertise—and
Baroness O’Cathain: thus negating, it is hoped, the statement of the Deputy Prime Minister that in the House of Lords we have only a “veneer of expertise”.

Many of the excellent attributes of our House have been described fairly fully in recent debates, but sadly we are frequently subjected to negative pronouncements which in common parlance are described, I believe, as “bad mouthing”. The economy, particularly the debt and deficit situations—too many confuse these—the sorry state of a large number of pensioners—we know where that stems from—and the truly worrying situation of unemployment are not collectively joyous and are constantly thrown at us from the Benches opposite. When I point out, as I shall again, that all of these issues are to a large extent part of the legacy of the previous Government, the orchestrated groans become full-throated. I hear no response.

The noble Baroness who is the Leader of Her Majesty’s Loyal Opposition in the House of Lords and who I definitely number among my personal courageous friends, told us on 9 May that the “real record” of this Government is,

“of businesses and shops closing; of people being put out of work”.—[Official Report, 9/5/12; col. 12.]

The wording of the Motion of Regret tabled today includes regret about the,

“one million young people out of work”.

One needs to have a very short memory indeed not to make an instant link between that wording and the statement made by the Governor of the Bank of England in the past two weeks to the effect that the previous Government were directly responsible for the loss of—yes—1 million jobs. The noble Lord, Lord Myners, who sadly is not in his place, put up two blacks today. He certainly put up a black about the grocery adjudicator, but he also put one up about the Governor of the Bank of England. But, after all, was the noble Lord not actually part of the process that reconfirmed the Governor of the Bank of England’s reappointment during the period of office of the previous Labour Government?

Happily, something is being done about those 1 million jobs, as we have seen in today’s figures, but, sadly, we can expect yet another twisting of that news by the BBC. In the past few days, a presenter on Radio 4’s “Today” programme said that there was no mention of growth in the Queen’s Speech. No mention of it? Let me read out the first sentence of the speech:

“Of my Lords and Members of the House of Commons, my Government’s legislative programme will focus on economic growth, justice and constitutional reform”.

Episodes like that make me warm even more towards the re-elected Mayor of London. He has stated that,

“the prevailing view of Beb newsrooms is, with honourable exceptions, statist, corporatist, defeatist, anti-business, Europhile and, above all, overwhelmingly biased to the Left”.

I could not agree more. Contrary to what is a fast-developing tendency in this House to score points, to increase the number of “blame statements” and rubbish this Government’s efforts to remedy as solidly, quickly, fairly and permanently as possible the legacy of 13 years of economic mismanagement, I believe that we must stop talking down our country and our economy, and in particular the heroic efforts being made in many sectors to build up what has been so damaged in the past.

The Opposition constantly accuse the Conservatives of destroying British manufacturing industry. I suggest that the doom-mongers should take a good look at what has happened to the British motor industry since 2010, and in doing so dispel that accusation. The statistics and information I am about to impart come from the Society of Motor Manufacturers and Traders. They show that during the last five years of the Labour Government, jobs in the motor industry steadily declined year on year from 868,000 to 736,000. That inexorable decline stopped in 2010 when there was a slight increase of 1,000 jobs. In 2011, some 9,900 new jobs were created, and just as important, more than 12,000 jobs were safeguarded. Net investment during those last five years of the Labour Government—

Lord Whitty: My Lords, this is the third time that someone from the Benches opposite has claimed credit for the very welcome revival of the motor industry. Does the noble Baroness not accept that the reasons for that revival, after a disastrous prior record, were threefold? The first was the intervention by my noble friend Lord Mandelson on the motor scrappage scheme and other incentives to the industry. The second was the better relations that were established between management and trade unions in the industry, and the third was very substantial investment by Japanese firms, nearly all of which occurred prior to the election in 2010.

Baroness O’Cathain: I absolutely refute all of that, but we can talk about it afterwards because the noble Lord is taking time out of my speech, and I will not have that. In passing, has anyone in this House mentioned the fact that the Corus plant which was mothballed by the said noble Lord, Lord Mandelson, in February 2010 was reopened a few months back and, since last Friday, is exporting steel?

I understand that I shall get bad marks if I carry on. All I want to say is that I think it is time that we understood that good things are happening in this country. We should stop peddling gloom and doom and get down to supporting the measures in the Queen’s Speech.

7.19 pm

Lord Haskel: Like the noble Baroness, Lady O’Cathain, I welcomed the words in the gracious Speech that the Government would concentrate on economic growth and restore economic stability—amen to that. Those are fine words but how are we going to put them into action?

I agree with the noble Lord, Lord Low: surely the place to start is for the Government to realise that their policies are not working. When quantitative easing was introduced, its purpose was to increase the quantity of money to encourage more spending. We now know that the money has got stuck in the banks. It is not working, as the noble Lord, Lord Higgins, just explained. Austerity is not working. Many feel that the double-dip recession means that the medicine is killing the patient, as many noble Lords have explained.
Job cuts in the public sector were meant to be replaced by jobs in the private sector. It is not working, as the noble Baroness, Lady Royall, explained. As a bright sixth-former said to me on a school outreach visit the week before last, “...until the private sector can absorb them, would it not be more sensible to keep people employed in the public sector where they would be doing something useful? After all, working or not, the taxpayer is paying them anyway”. Perhaps the Minister should try a few school visits.

All this gives the Government an air of incompetence and it does not do any of us any good. It is not only sixth-formers who feel this way. We have had similar views from our major business organisations and, Monday, the Prime Minister’s own Business Advisory Group. All hoped that the gracious Speech would show an understanding that changes need to be made.

What was in the business section of the gracious Speech? There were a number of piecemeal Bills whose common theme seems to be fairness. The gracious Speech speaks about supermarkets that deal fairly, electricity prices that are fair, state pensions that are fair and markets that are fair. Are the Government sure that these are they trying to make up for the lack of fairness to women, the disabled, minorities and the elderly in the legislation on health, legal aid and tax that they rushed through? The recent report from the Equality and Human Rights Commission makes this very point.

What would I have liked to have seen in the Queen’s Speech? How can the Government show the leadership that the noble Lord, Lord Bilimoria, called for? First, they should show that the lesson has been learned: that they are prepared to show flexibility where the policy is not working. There should be more balance between growth and austerity, with the pace of austerity being slowed. I would have liked to have seen a modification of our attitude towards the financial markets. The National Institute of Economic and Social Research said last month:

“It remains our view that fiscal policy could be used to raise aggregate demand in the economy with little to no loss of fiscal credibility”.

With the cost of government borrowing the cheapest in living memory, and many unemployed people, plenty of spare capacity, a chronic lack of housing and a creaking infrastructure, surely there should have been something about construction, as my noble friend Lord Myners suggested.

What else? I repeat the appeal I made in the Budget debate for the Government to lead a crusade on technology, particularly digitalisation, which would be inspirational to the young people about whom my noble friend Lord Young was concerned. Yes, BT and others are improving broadband services but it is the use of technology to improve productivity, introduce new services, start new businesses and create new ways of manufacturing such as additive manufacturing that will help to produce growth.

There are other ways that the Government can show leadership; for example, bringing businesses back home. Offshoring has been a common strategy for the past 30 years, but that seems to have run its course. Cost, variety, speed, proximity, quality control and stock reduction are all now moving in favour of onshoring. President Obama makes a point of visiting companies that have brought employment back to America. Perhaps Ministers could show support for job creation and take a leaf out of his book; the BBC has. Did the Minister see the programme about the young man who is enlarging his factory in Britain to bring the manufacture of cushions back from China? If it makes sense for cushions, for how many other things would it make sense?

The Minister will say that there are all kinds of government schemes to encourage these activities, and he is right. If you go to the website, click on “manufacturing” and inquire what assistance there is for starting and running all aspects of a manufacturing business—I clicked on Barnet because it asked for a location—the number of schemes that comes up is 137. I am sure that some work and some do not; some are accessible and some are not. My point is that these are mainly gestures. What we need are initiatives with which people can identify, by which they can be inspired, and that mean something to them in their lives.

The Minister will be happy to know that I am not calling for more expenditure, but I am calling for leadership. The Government should recognise that their policies are not working and demonstrate their determination to lead us out of this recession with an industrial policy committed to technical progress and jobs, a policy that we can all identify with, and action that creates the confidence about which the right reverend Prelate the Bishop of Durham spoke in his excellent maiden speech. This is the sort of thing that the Minister’s colleague Vince Cable calls a “compelling vision”. This is what I would like to have seen in the gracious Speech.

7.27 pm  

**Lord Brougham and Vaux:** My Lords, it is always a privilege to follow my noble friend Lord Haskel; I say noble friend because we share duties on the Woolsack. Your Lordships will be pleased to hear that I am not going to speak about economics as I cannot run my own financial affairs. I declare my interest as chairman of an associate parliamentary group, the European Secure Vehicle Alliance, which aims to reduce vehicle-related crime and disorder. I welcome the Government’s proposal to introduce legislation to deter the incidence of driving under the influence of drugs, but would like to highlight three other areas that warrant further consideration.

The core theme of my speech is to highlight the virtue of designing products, systems and indeed legislation that get it right first time, as such innovative approaches invariably win public support and deliver considerable savings. One recent such innovation which has got it right first time is average speed camera systems, which have reduced casualties and improved journey times on the stretches of our roads where they have been operating, while issuing very few speeding tickets to motorists. The overwhelming majority of motorists grasp immediately the purpose of the innovation and willingly observe its intention.

Over the past year it has become increasingly apparent that we are now in happy possession of another innovation, namely the use of telematic data systems,
which by assessing driver performance can reduce not only the costs of insurance but road casualties. The collection, transmission and interpretation of data that are generated continuously while a car is being driven by a known driver can now be shared in an easy-to-comprehend format between the driver, their parents if appropriate and their insurance company. The driver’s premium can be reduced, or indeed increased when justified, and early indications from a growing number of insurers developing such policies with related telematic data transmission devices are most encouraging. Moreover, such systems offer further financial savings by reducing the incidence of fraudulent claims for personal injury or vehicle damage by affording detailed examination of vehicle and driver data at the time of such incidents.

Fortunately, this innovation should not require specific legislation, but it would undoubtedly be welcome should the Government offer their encouragement and support. In addition, it should be regarded as an opportunity to reward the observant who welcome the challenge to drive responsibly and to be seen to drive responsibly; it should not be subverted by being positioned as a device to monitor irresponsible drivers. It should be seen as the Big Friendly Giant and not Big Brother.

The second innovation to which I would like to draw your Lordships’ attention is the growth of automatic number plate recognition—ANPR—and its relatedness to the vehicle number plate manufacturing and distribution regime that exists in the United Kingdom. I have recently been in correspondence with the Department for Transport Minister responsible for this matter, Parliamentary Under-Secretary of State Mike Penning, and ask for your Lordships’ support in encouraging him to take timely and appropriate action to remedy the shortcomings in the UK’s vehicle number plate regime.

The United Kingdom leads the world in terms of its police’s ability to both detect and prevent crime through its ANPR camera network, yet its value is compromised by having to read the number plates produced by approximately 30,000 to 40,000 number plate suppliers. Such a regime offers little capacity to ensure that appropriate quality standards are maintained and the high readability of a number plate on a correctly designated vehicle. Furthermore, it has recently come to my attention that one of the UK’s leading suppliers of vehicle number plates has manufactured and distributed hundreds of thousands of plates that present significant challenges to the UK’s ANPR camera manufacturers. That is clearly an area where we are failing to get it right first time.

The police first made representations to Government in 1994, recommending a radical change to the UK’s number plate regime that encompassed innovations in manufacture, distribution, security and systems management which would all lead to safer roads and a greater ability for the police to both detect and prevent number plate crime. Should the method of manufacture and supply be rationalised, the significant economies of scale would result in lower number plate prices to motorists while enhancing the potential value of the cherished number plate scheme to Government.

I conclude by making brief reference to a third area of interest; namely, the operating methods of an ill defined number of private parking companies which use CCTV and ANPR technology to identify motorists who have fallen foul of their often poorly signposted car parks. Recent legislation has focused on the cessation of wheel clamping and the establishment of an appeals procedure for “transgressors”, but we are missing the point by not planning to get it right first time. Our primary emphasis should be on developing approaches which help ensure that all parking regimes are designed to maximise observance, and measures should be developed to restrict operations that are unduly focused on capturing the non-observant parking motorist.

Legislation to deal with people driving with handheld cameras has been talked about. This situation is getting worse by the minute. The Department for Transport should crack down on it, because it is becoming very dangerous.

7.34 pm

Baroness Parminter: My Lords, for Liberal Democrats, there is much to be welcomed in the gracious Speech. The proposals for a green investment bank and an energy Bill will help us meet legally binding carbon reduction targets to reduce our emissions by 80% by 2050. Beyond that—here, I fear that I will diverge from the views of my noble friend Lady Noakes, who is sadly not in her place—they are welcome because they will help secure investment in low-carbon power generation, create green jobs and deliver lower consumer energy bills in the face of escalating world oil and gas prices.

However, I shall focus on another welcome green proposal in the speech, which has not had much mention in the House today: a commitment to a draft water Bill. One of the many challenges that we face in the UK and across Europe is protecting the health of our rivers and lakes while keeping water available and affordable. Water resources are under pressure from current unsustainable levels of abstraction, with the Environment Agency calculating that only one-quarter of our rivers and lakes are fully functioning ecosystems.

The water abstraction system was set up more than 40 years ago, in the decade I was born. Given the damage already done to ecosystems, maintaining such a system is untenable, particularly as the effects of climate change and the extreme weather it brings us, combined with population growth in the UK, all take hold. The Government’s water White Paper suggested legislation to change the abstraction regime would not take effect until the mid-to-late 2020s. I endorse the conclusions of the report by the House of Lords EU Sub-Committee D on EU freshwater policy, published just two weeks ago, which says that delaying this reform for at least 15 years fails to respond to the urgency of the situation.

That urgency is further highlighted when one considers the planned shift to low-carbon energy generation over the coming years. The electricity supply industry is already responsible for 43% of water abstraction, more than the amount abstracted for public use. Do the Government have the research to inform the draft Bill about the possible water abstraction demands of...
differing electricity supply models over the next 20 years? Just how water-intensive is nuclear energy as opposed to electricity supplied by wind farms? Given the pressures that differing supply scenarios may put on the water supply, undertaking such analysis and making it publicly available would seem essential.

I recognise that changes to the abstraction licensing regime will be complex, with more than 30,000 licences in existence—although, to be blunt, it cannot be as complex as reorganising the National Health Service. However, we must act now to fundamentally reform the regime so that it takes into account the environmental realities that we face. Can the Minister therefore explain why the Government feel that they can produce a draft water Bill in 2012 but intend to wait until beyond the lifetime of this Parliament to deal comprehensively with overabstraction?

Tackling water pollution is also a priority. Defra estimates the cost of treatment technology to tackle certain pharmaceutical substances alone in wastewater to be around £27 billion. It is essential that the Government work with our European partners to acquire more knowledge of the risks posed principally by pharmaceutical substances entering wastewater and the methods of reducing this risk before effluent containing the substances requires wastewater treatment. As a Liberal Democrat committed to the “polluter pays” principle, I hope that this would include consideration of the contribution that pharmaceutical manufacturers could be asked to make to mitigating those risks.

As my noble friend Lady Miller pointed out, this draft Bill is an important opportunity to engender recognition of the ecosystem services that water provides. The announcement of the members of the Natural Capital Committee last Friday was a welcome sign of the Government’s commitment to embedding the value of natural capital and its potential to support growth into decision-making, as is the Government’s commitment to further reform of the CAP to promote the farming industry’s role as custodians of the natural environment. Businesses which rely on water as part of their industrial and creative processes need to factor water supply into their decision-making, and this draft Bill could help by introducing a requirement for businesses to measure their water impacts and develop specific water strategies to ensure security of their water supply. In this draft Bill, will the Government help companies ensure such water resilience?

Businesses need to review their use of water and seek to minimise wastage, but so do we need to keep bills low. We will therefore have to do more to help people value and save water. Smart water metering, combined with advice on how to reduce water usage, and social tariffs which minimise affordability issues for disadvantaged heavy-use households, give consumers greater control over their water consumption. In France, water meters are compulsory, and by 2015 over half the homes in England and Wales will be on water meters. Liberal Democrats support compulsory smart water metering in water-stressed areas and I hope the draft Bill will propose this measure for England and Wales.

Keeping water bills affordable—at present the average household bill is about £1 a day for water and sewerage—is important. However, in these challenging economic times, if people have to pay more for this crucial resource we must ensure that they fully understand what they are paying for. They must feel connected to their local areas and know the benefits that freshwater lakes, rivers and streams provide for their local wildlife and ecosystems. To that end, the recently launched “Love Your River” campaign, supported by Defra, along with the National Trust, the Wildlife Trusts, Keep Britain Tidy, Waterwise and the water companies, is to be applauded.

If, however, we are to get individuals to start being more responsible with their water usage, it is critical that it is seen that the water companies tackle leakages with renewed vigour. The Environment Agency estimates that the current rate of leakages from our water supply is 20 to 25%. That seems a remarkably high figure to regard as acceptable. Ofwat should focus far more on the environmental impacts when setting future leakage targets for water companies.

The draft water Bill has the potential to deliver much to conserve this vital resource for both the public and our economy. The opportunity must not be squandered in the expectation that the privatised market will alone deliver the scale and pace of change that is urgently required.

7.42 pm

Lord Crickhowell: My Lords, I intend to talk only about energy policy. During the last Session, I was a member of the Select Committee on Science and Technology. Our report, Nuclear Research and Development Capabilities, was published last November. The focus of our inquiry was not on the arguments for and against nuclear energy, but on whether or not the Government are doing enough to maintain and develop nuclear research and development —R&D—capabilities and the associated expertise to ensure that nuclear energy is a viable option for the future.

The report said:

“During our inquiry, we were struck by the extraordinary discrepancy between the view, on the one hand, of some senior government officials and the Secretary of State”—we were referring to the last Secretary of State—

“and on the other, those of independent experts from academia, industry, nuclear agencies, the regulator and the Government’s own advisers. A fundamental change in the Government’s approach to nuclear R&D is needed now to address the complacency which permeates their vision of how the UK’s energy needs will be met in the future”.

Those were strong words and they seem to have detonated like a nuclear explosion within DECC. The Government’s response, accepting almost all our recommendations, appears to represent the fundamental change in approach to R&D that we demanded. It also acknowledges, “that nuclear power stations have a vital part in our energy strategy”.

It goes on to say:

“The UK civil nuclear industry is an important sector in the UK economy given its current, as well as potential, contribution to jobs, growth and high value exports”.

That is a welcome change, but I remain acutely concerned about the Government’s wider approach and I fear the growing possibility of an energy security crisis.
The energy Bill, we are told, is designed to provide investors with long-term certainty and incentives to invest in low carbon. Far too much emphasis is still placed on the rapid growth of a competitive worldwide market in gas, as LNG facilities grow and shale gas exploitation develops, we would be in deep trouble. The experiments in carbon capture and storage seem unlikely to produce results that will make any contribution to our needs for a good many years. Nor can we rely on energy efficiency and conservation. Even the rather modest nuclear ambitions of Ministers are now under serious threat. RWE/E.ON has withdrawn from nuclear building in the UK. Both companies in the consortium have incurred losses of billions of euros and run out of money because of the decision of Chancellor Merkel to pull Germany out of the nuclear business. That represents a major setback as new owners are sought for the sites at Wylfa and Oldbury, possibly from China or Japan.

We are left with EDF Centrica. The French EDF may have to adjust its plans in the face of the new French President’s pledge to cut the French nuclear programme by a third. Already, that company has, if the report in the Times on 7 May is correct, increased the price of its two planned reactors at Hinkley Point by 40% to £7 billion each. The Times report says: “EDF energy will decide by the end of the year whether to proceed with the £14 billion plan, but experts said that the rising costs—and its parent company’s deteriorating financial position—made this less likely.”

Speculation has also mounted that Centrica will pull out of the joint venture. EDF energy has promised to complete the first Hinkley Point reactor by 2017, but the plan is already well behind schedule—though a pessimistic report in the Guardian has been denied. The company is quoted as saying: “We remain committed to delivering the first new nuclear plants in the UK for 20 years at Hinkley Point. The decision depends on having the correct market framework that will allow an appropriate return on the massive investment required”.

EDF is in a strong bargaining position and that places the responsibility for what happens next firmly on Ministers, who are faced with uncomfortable choices. We face the further uncertainty that the Government’s plans have to jump EU hurdles and are dependent on the examination to be made of a draft Bill and the subsequent passage of a Bill that may be carried over into the next Session. It is absolutely crucial that the Government come forward very soon with a clear statement of policy and firm measures to provide the foundations on which the industry can build with confidence.

I have just a few more words about wind farms. In Wales, a very large expansion of onshore wind farms is going ahead on the back of the Welsh Assembly Government’s TAN8 document, which sets out the location of wind farm concentrations in Wales. Already, there is great local anger about the concentration above Neath in the south. In mid-Wales, the local community is outraged by the planned concentrations in some of the most beautiful, unspoiled parts of Powys—concentrations that are to be joined by a network of pylons and cables and then carried down one of the most glorious valleys in Wales by a massive transmission line into and across Shropshire. Scottish Power is pressing ahead, eager to get its hands on the subsidies.

If I thought that this desecration of the natural environment would make a significant difference at a reasonable cost to meeting the nation’s essential energy requirements or to saving the world from global warming damage, I might regretfully conclude that it was a necessary evil. I do not believe either of those things. It is an odd irony that the flooding of Welsh valleys to provide water for English cities provoked the understandable outrage of a previous generation. Now, however, a Welsh Assembly Government cheerfully give the go-ahead to this desecration in order that electricity should flow across the border to English cities. Greater benefits would be provided by turning off the multitude of lights that illuminate towns, villages and roads between midnight and dawn. I believe that one county council has already given a welcome lead in that direction; I hope that others will follow that example.

7.49 pm

Viscount Hanworth: My Lords, within the past few weeks we have had to face the reality of a double-dip recession. Britain is facing prolonged economic woes. The Governor of the Bank of England has expressed his certainty that the UK economy will eventually emerge from its recession, but it is notable that he has been unwilling to give a timescale for this forecast. Others have foreseen the prospect of a decade of economic misery, and the experience of Japan comes to mind.

The lost decades of Japan, running from 1991 virtually to the present, followed the bursting of a Japanese asset bubble. The parallels between Japan’s experience and the current circumstances of the UK economy are close and very discomforting. Despite the quantitative easing that occurred in Japan under the guise of a zero-interest rate regime, its economy stubbornly failed to revive. There was a prolonged weakness in domestic demand, which was partly the consequence of the traditionally frugal habits of Japanese consumers, and there was a failure among Japanese export industries to provide a necessary stimulus. This failure could be attributed to the rise of the manufacturing industries of the competing south-east Asian economies and to the maintenance of the high value of the Japanese yen in international currency markets.

All of these features are characteristic of the British economy at present. Nevertheless, the British experience differs from that of Japan in some crucial respects. The lost decades of Japan followed years of post-war economic success in which its export industries led the way. British industry, by contrast, has suffered years of senescent decline. The withering of British industry has meant that we have had to make our way in the world by other means. For years, we have experienced a balance of payments deficit in our exports and imports of manufactured goods—and even in the
overall current account, which includes exports and imports of both goods and services. The deficit has been made good by a surplus on the capital account. There have been large inwards capital investments, mediated by the City of London.

There has been a remarkable sale of British assets to foreign owners, in the process of which the City financiers have reaped some remarkable benefits and personal rewards. They have ensured that British companies can be taken over more easily than companies anywhere else in the world. The foreign ownership of our rail franchises, of our power industry, of our water utilities and of much else besides implies that we have ceded our strategic control over investment decisions in vital areas of the economy. While these massive inward investments enable us to sustain financial deficits, they also serve to exacerbate our fundamental problems. Inward flows of capital equate to a demand for sterling on the international currency markets, which enhances the value of the pound. Such a high value relative to other currencies means that our exports are expensive and face a limited demand. The decline in the earnings of our export industries increases the need for the inward flow of capital. The cycle cannot continue indefinitely. When it is broken, which will happen sooner rather than later, we shall face a very harsh economic climate.

The manner in which capital flows have come to displace exports is well illustrated by the Government's recent efforts to find ways of stimulating the British economy. In January, George Osborne took a trip to China. His primary aim, so it was declared, was to encourage the Chinese to increase their imports of British goods. A secondary aim, which Mr Osborne pursued in his meetings with senior figures in China's financial sector, was to encourage investment in British manufacture. The primary aim was quickly relinquished; instead, Osborne succeeded in convincing China's sovereign wealth fund to purchase an 8.6% stake in Thames Water, which is London's water company. There have since been further Chinese acquisitions, including a manufacturer of one of Britain's favourite breakfast cereals. More significantly, there has been strong encouragement by the Government for China to assume a major role in regenerating the UK's nuclear power-generating industry.

The Government's attitude to the emerging crisis in the UK power industry serves to illustrate their basic economic philosophy and to highlight its dangers. The Government's economic philosophy is dominated by an atavistic notion of free-market enterprise. Britain, they say, is open for business and any willing provider of goods and services is welcome to participate. According to this philosophy, the Government should relinquish any responsibility for making industrial investment decisions and, by relinquishing responsibility, they imagine that they will conveniently avoid the blame for mistaken decisions. For example, it is believed that if a previous Government had adopted this stance, they would not have been blamed for encouraging the UK nuclear industry to pursue the development of advanced gas-cooled reactors when the rest of the world was opting for pressurised water reactors. Yet by avoiding making strategic decisions about the future of such industries, the Government are abrogating their essential responsibilities.

What should a responsible and imaginative Government do when faced with Britain's economic problems? The answer is that they should do many things that are not even in the nature of the present Government to consider. In the first place, they should instruct the Bank of England to pursue an active exchange-rate policy aimed at lowering the value of the pound vis-à-vis the currencies of our economic competitors. At the same time, the Bank should seek to reduce the volatility in the exchange rate which, by common consent, has a negative impact on our export industries.

However, there are some far more demanding requirements that we should make of the Government. They should look to the infrastructure of our national economy and ensure that some fundamental needs are met in a timely manner. This would entail support for emerging technologies and the fostering of Britain's neglected scientific and engineering skills. The renewal of our power industry is perhaps the most urgent requirement at present. It offers possibilities for technological innovation that it would be appropriate to discuss in detail on another occasion. For the present, it should be observed that none of these things will materialise without a commitment from the Government to provide the substantial support that is necessary.

7.56 pm

The Earl of Selborne: My Lords, I want to confine my remarks to environmental issues and I start with the case for the green investment bank. The gracious Speech refers to the introduction of, "legislation to establish a Green Investment Bank", perhaps more accurately called a green investment fund. It is not universally welcome on our Benches. My noble friend Lady Noakes said that she certainly thought that was £3 billion wasted. I recognise that if we are to justify the green investment bank, it has to stand up to exactly the same resilience tests of value for money and doing a job with government funds that market failure might otherwise fail to deliver.

If we wish to move towards a green economy, at the moment we are clearly hopelessly over-reliant on policy interventions by government, which are usually very expensive. We have to define quite clearly what we mean by a green economy. I think we all recognise that we mean: moving towards low-carbon technology for greenhouse gas reasons; more sustainable use of natural resources; reduced environmental damage, which simply means that later generations or neighbours pick up the bills for what has not been adequately captured by the market; improved resource efficiency; resilience to climate change; and energy security from diverse low-carbon sources. My noble friend Lord Crickhowell referred to that and, I say again, he was absolutely right to point out that to deliver this green economy you must ensure that those definitions will deliver maximised growth and create high-value employment.

Environmental security, as my noble friend Lord Crickhowell pointed out, is simply getting less and less probable after Fukushima. The Germans have made the disastrous decision, as far as I am concerned, to remove support for their nuclear industry. In the United Kingdom, we have therefore lost a possible six nuclear
reactors while, as my noble friend also pointed out, the French company EDF’s project to build two reactors is at risk. That is because of the record that they have in France at the moment for delay, being behind schedule and with double the budget costs. We may get some nuclear capacity, but clearly, because of the terrible neglect over 20 years of our nuclear heritage and its skills, which my noble friend again referred to, we are simply a long way behind the curve. We are going to be desperately short of non-fossil fuel energy, whichever way you look at it, so we need new approaches for green investment to make a critical contribution to energy security.

I will give one example where there is a market failure at the moment. It is a modest proposal; it is not going to resolve our issues of energy security or anything like it, but it is a contribution that should be looked at: energy from waste. It is a mixture of mature technologies such as anaerobic digestion, which we know a lot about, and incineration, together with new technologies such as pyrolysis, gasification and plasma arc heating. There is clearly a great lack of confidence in the investment community with these new technologies. I can certainly see that a kick start from the green investment bank might be extremely productive, and in the long run establish new industries and certainly contribute towards these heroic non-fossil-fuel energy targets that we have set ourselves. It is a double win, because the current amount of biodegradable waste from the catering trade, shops and food manufacturers that ends up in landfill is scandalous—and landfill, of course, contributes to greenhouse gases. It is a resource. We talk about maintaining and using our natural resources sensibly. You simply would not allow waste to be put in a hole in the ground. If it can act as a fuel or as feedstock for energy, that is clearly what it should do.

Public perception is the reason why we in this country are so inefficient at putting energy from waste. We have a horror of incineration. Perhaps this dates back to a time when we did indeed deal rather less efficiently with emissions of toxic materials, such as dioxins and ultra-fine particles. That is not the case any more; incinerators must now abide by much higher European Union standards than fossil fuel power stations anyway, so we need to ask carefully of any planning committee that rejects either anaerobic digestion, which still seems to happen quite regularly for reasons that are obscure to me, or certainly incineration with modern technology, on what basis they come to this perverse decision. These are the sorts of issues which Switzerland and Holland, for example, have never had any difficulty with. Switzerland, which we would consider to be a clean country in many ways, finds itself with an overcapacity to burn waste and imports it from Italy. We cannot possibly meet these targets for non-fossil fuels without carbon capture and storage. Again, as my noble friend Lord Crickhowell pointed out, it is quite a long way away. It will need massive investment, not just by us but by many other countries. America, Norway and many other countries are spending a lot at the moment. We simply have to be in there. If we do not get carbon capture and storage right, we can dismiss for ever the prospects of meeting these heroic targets. We need to recognise that an investment in this sort of technology is absolutely the only hope we have of achieving these targets.

8.03 pm

Baroness Turner of Camden: My Lords, there are some items in the Queen’s Speech to be welcomed, and others about which many of us will feel concerned. There is at least an acknowledgement that the public’s major concern is about austerity and all that that means for the working people who the Prime Minister now claims to care about. Anyone who has been involved in the recent election campaigns knows that people are worried about job loss, insecurity, wage stagnation, housing and welfare problems, all aspects of the Government’s policy on the economy. There now seems to be a growing opposition, not only in this country but throughout Europe, to austerity programmes and their impact on ordinary families, and an increasing pressure for programmes involving growth. This seems sensible. Dealing with deficits is important, but how to do it if economies are stagnant? Things will only get worse. There is already concern that austerity policies are impacting most heavily on those least able to cope.

Recent unemployment figures show that those impacts are highest in the north-east and the Midlands, where the decline in manufacturing industry, about which my own union Unite has campaigned for many years, has left many areas with no job prospects, even for skilled people. Many of us believe that this decline was first started by a previous Conservative Administration way back in the 1980s. In certain areas, public sector employment made up for these changes, but now, with present government cuts, declines in public sector employment will add to that unemployment, much of it among women and often where no alternative work exists. I am glad that at last the apprenticeship schemes are being reinstated. This should at least assist where there are large numbers of unemployed young people. However, my noble friend Lord Young made a spirited plea for there to be far more done in that direction. I hope that his recommendations will be taken seriously.

For all these reasons, the Government need a rethink. We need, of course, to go for growth. There is to be an enterprise Bill, but the Government are going the wrong way about it. Apparently, it is felt that removing employment rights from employees will result in more jobs. Long-standing employment rights for workers are to be removed. This will add to the sense of insecurity that already exists. Why should it be made easier for employers to sack workers? So that they can employ cheaper ones? Many of us have fought for years for workers to be treated decently and not like serfs. We will not accept lightly a change in government policy. Why should it be deemed necessary to provide more assistance to low-paying employers? We already have low pay in this country. The Government know this. Their welfare policies attempt to subsidise low pay through the welfare system to make sure that...
jobseekers are better off in work than on benefits. In other words, the taxpayer already subsidises employers who pay low wages.

Further changes to the law on arbitration would make it more difficult for a worker who claims unfair dismissal to make a claim. Charges are to be made before he or she can get to a tribunal. Then the tribunal itself will consist not of lay people representing each side of industry or commerce but of only a judge sitting alone. It is a more legal process but, of course, there will be no legal assistance.

My advice to employees is to join your union. You are going to need all the protection you can get. The Government, of course, like to act as though unions do not exist. Unions are mentioned only in the context of a possible strike—and then, of course, the strike is all the workers’ fault. There is now talk of making strikes more difficult, when we already have legislation that requires ballots, and probably tougher legislation than exists in other developed countries. Many government supporters—I emphasise “supporters”, not necessarily the Government—clearly think that workers should put up and shut up. That really does seem unlikely to me.

Unions play an enormous role in other areas, which is hardly ever mentioned. Unionlearn, the education section of the TUC, helps 230,000 working people back into education every year. Through its support for Ruskin College, Oxford, it has assisted many to acquire degrees. Many members of your Lordships’ House have benefited from further education at Ruskin College. Unions play a vital role in health and safety provision in the workplace through their training of safety representatives and in other ways. Despite this, the Government do their best to discourage this traditional and important organisation of the employees themselves.

I hope that the recent election results will cause the Government to re-examine their policies. If they do not do so, more people are likely to suffer as a result of economic policies that have already begun to impact unfairly on employment, welfare and other matters of great concern to everyone.

During the previous Session in this House, every time we sought to deal with the problems caused by the cuts we were told by government spokespersons that “there is no alternative”. I and many others do not accept that, and many people who are worried about declining living standards do not accept it either. We need to go for growth. We need policies—not words, but policies—for growth. The Queen’s Speech does not have such policies.

8.10 pm

Baroness Byford: My Lords, there has been criticism that the gracious Speech lacked an agenda for growth, jobs and a stimulus for the economy. That is clearly not true, though, as others have said. The Government are indeed taking steps to free up businesses to allow them to grow and employ other people. I wholeheartedly endorse the stated priority of cutting the deficit and approve the reduction in the number of civil servants. Most of all, I support the measures being taken to reduce the regulatory burden on entrepreneurs to clean up the IT systems with which so many of the departments have been saddled, particularly those in Defra.

I wish success to the negotiations on reducing the pension burden. The previous Government, during their tenure, they increased the pension burdens from 7.2% to 14.1% on local government salaries and centrally by over five percentage points to a range of 16.7% up to 25.8% at the most recent elections. These are additional burdens that have to be met, and they are the fault of the previous Government. In the circumstances, I took great exception to the comments by the noble Baroness, Lady Royall, at State Opening, when she asserted that the coalition was unfair, incompetent and out of touch.

There is much to be welcomed in the gracious Speech. I cannot touch on everything but I am particularly glad to see a draft water Bill, an energy Bill, the reduction of regulation and in particular the Groceries Code Adjudicator Bill, which has its Second Reading on Tuesday. That cannot come quickly enough. I am watching the death of market towns, caused mainly by the rapacious advance of supermarkets and aided and abetted, sadly, by local councils that still cannot see the damage that they do to the rural economy. I am aware that so much of the success of these mammoths is due to the stranglehold over those who grow, produce and manufacture items for sale.

Last week we were told of a further fall in the milk price, which the right reverend Prelate the Bishop of Hereford referred to earlier. That is iniquitous. The prices of fuel, fertilisers, grass seeds, animal feed and machinery all continue to rise, some of them rapidly. Supermarkets, on the other hand, are making profits. In the face of recession, those profits have held up very well, and we know that the salaries of those who run the supermarkets are generous. That is what is unfair. Farmers and processors are being openly robbed and they desperately need the support of an adjudicator. We shall deal with this in greater detail on Tuesday.

I am particularly concerned about the fresh milk supply. Will the Minister carry out an exercise to reveal exactly how well supermarkets do? They sell in four-pint, two-pint and one-pint cartons. The price comparisons are all based on the four-pint model, which considerably understates the average return per pint to the supermarket. It also minimises the insult to the farmer. A single pint sells for 49p, which is almost exactly the four times the price that he gets, but the official figures are based on the four-pint model—39p to 42p per pint. We shall debate this further.

The contribution that charities and voluntary workers give to the life of this country is incalculable. It would be wrong to reduce their impact through the side effects of measures taken to deal with the control of the deficit or developments in the commercial sector. In this Christian Aid week, I am pleased that pressure to reduce our international contribution has been resisted and that there are clear intentions to encourage further volunteering and to maximise the value of charitable giving. As an aside, I understand that DFID has agreed to match-fund the first £5 million that Christian Aid achieves this week.

There is no doubt that volunteering can assist individuals into employment, which is good for them and good for the economy. The major benefit, however, must be the application of donations, large and small,
to improving the quality of life for people throughout the country—and abroad, as I have indicated—regardless of colour, creed, age or financial circumstances. I hope that the charities Bill may look at ways in which gift-aiding can be simplified and the burdens there reduced.

It does not necessarily need a Queen’s Speech to reflect the importance that I believe farming and agriculture play in our community today. Their role is the driving force behind so much economic activity. Between them, farming and food have 3.5 million jobs. The headline is that the total farming and food sector is worth some £85 billion, the equivalent of 6.9% of GVA. Farming is more than that, though: it is important for jobs both on and off the farm. In all, farming and food production provides 3.5 million jobs, but technology means that employment on the farm may fall. Other areas are growing, however, and in that I particularly include research and development. They will play an important role in our food security in future.

The departments have given some stimulus and help to particular areas. I am best known for my connection with rural areas. In March and April this year, a £160 million package of measures was announced to support rural communities, mostly through the rural economic growth review. Of that, £100 million is to grow rural businesses through the rural development programme for England, some £20 million of grants will extend superfast broadband to remote areas, some £25 million will promote rural tourism and support its businesses and there will be loans totalling more than £20 million for community-owned renewable energy schemes. In addition, £2 million will help women in rural businesses to develop those businesses. Those do not feature in the gracious Speech but they make a huge difference. It is seed-corn money that makes a difference to enable businesses to start. The Government need to see ways in which they can lighten the load of regulation and red tape so that that seed corn can grow and a business can become one, two and then 10 and perhaps 20. I support the Government in the measures that they have taken in the gracious Speech.

8.17 pm

**Lord Borrie:** My Lords, when I first put my name down to speak in this debate on the gracious Speech, I thought that I would talk about two items: the groceries code adjudicator and the changes in the competition policy regime, which feature in the Speech. I then learnt that the Groceries Code Adjudicator Bill will be before us for Second Reading on Tuesday, and I have little doubt that the competition regime changes will be in a Bill that will come before us soon. With more time available in Second Reading debates than in the sort of debate that we are having today, I decided to latch on to the remarks made by my noble friend the Leader of the Opposition on youth unemployment, which to some extent has also been commented on by my noble friend Lord Young of Norwood Green.

I am delighted to congratulate a Member of the Conservative Benches who is in her place right now, the noble Baroness, Lady Stedman-Scott, who spoke on this subject yesterday and described the terrible expense to the public finances and the lost-opportunity costs of youth unemployment. She made the point that some 16%, probably more than that, are NEETs and causing a great deal of personal, social and financial problems. That is a very serious matter, a terrible waste in economic terms and a very severe social and personal loss and detriment to the young people themselves. In addition to those fairly obvious points, I think that we ought to accept that many young people are alienated, disaffected and are often engaged in criminal or anti-social activity.

Many people have solutions and have their favourite ideas. I dare say that there is no one idea that is worthy of promotion; there are many that are worthy of promotion. One idea that deserves further consideration and is timely to consider now is some sort of non-military national service or citizens’ service of one year or more and applicable to young men and young women.

When I did military national service way back in the 1950s, it applied only to men, so I naturally think of any modern development as covering both.

This idea was recently advocated—I mention this specifically for my noble friends in the Labour Party—in an article by Robert Williams that appeared in the March 2012 edition of the Labour magazine Progress. Twenty years ago, it was one of the proposals of the commission on social justice that was set up by the late John Smith, then the leader of the Labour Party, with me as chairman and several other present Members of this House on the commission. One of our proposals was for a citizens’ service, a community service scheme designed to enable young people to develop personal, social and learning skills and a work ethic through a variety of activities which, no doubt, would have to be looked at and modified and so on as the years go by. They would engage in work that improves the environment by cleaning and improving public spaces and engaging in caring activities in hospitals, care homes and people’s own homes, and, importantly, they would have the opportunity to make up for the gaps in their education that so many young people have.

It would probably have to be a voluntary scheme, which is what my commission proposed 20 years ago, because in peacetime—and I exclude the immediate post-war years in Britain—it would politically be very difficult to make it compulsory. Yet I have to admit that a weakness of a voluntary scheme is that some of the very people who would benefit most from a citizens’ service would be excluded.

There would be many gains from a citizens’ service in educational terms, in breaking down social barriers and in enabling people to improve their personal standing and so on. I believe that it is timely now to revive interest in this proposal. I have not attempted the important matter of cost. A parliamentary committee or inquiry would be needed to establish costs and feasibility and to estimate what I suggest would be, but I have no figures to back this up, a very considerable payback in economic and social gains to the community.

8.24 pm

**Lord Skidelsky:** My Lords, Sigmund Freud identified a defence mechanism that he called denial, in which a person faced with a fact that is too uncomfortable to accept insists that it is not true, despite overwhelming
evidence. A good example of denial is the Chancellor's belief that austerity is a growth policy, despite the fact that the British economy is shrinking. Somewhat better than a state of denial is one that psychologists call cognitive dissonance, a condition of holding two contradictory beliefs at the same time. People in such a condition have a strong need to reduce the importance of one of the dissonant elements. This is more hopeful. If the Chancellor has moved from denial to cognitive dissonance, he may soon move from cognitive dissonance to the honest realisation that his policies have completely failed to revive the British economy.

He may also recognise that they are failing to solve the debt problem. Since the collateral for a country's sovereign debt is the Government's potential tax revenue, any policy which produces recession and unemployment automatically increases the deficit and thus adds to the debt. The national debt is projected to rise from 71% of GDP in 2010 to 84% in 2012 according to the IMF, and the deficit elimination programme stretches ever further into the future. That is the fruit of austerity. Earlier in the debate, the noble Lord, Lord Razzall, denied that austerity could be responsible for stagnation because most of the cuts are still to come. That is to miss the point. The real impact of austerity so far lies not in the actual money cuts but in the failure to uprate public spending in line with public sector salaries, which inevitably leads to job losses.

The Government still claim that the main blockage to British recovery is the eurozone financial crisis. We are being buffeted by the euro crisis, but the eurozone crisis is the inevitable result of the very policies championed by the British Chancellor at home. The only reason that austerity has not so far produced a financial crisis in this country is that behind our fiscal policy stands a central bank licensed to print money. This has been the main factor keeping the cost of British government borrowing so low. However, there is a limit to how much the central bank can do to maintain confidence if the debt continues to grow while the economy continues to shrink.

Beyond the cloisters of Whitehall, there has been a welcome change of mood music. More and more people—captains of industry no less, and not just Keynesian heretics like me—are saying that austerity is not enough. EU Commission President José Manuel Barroso talks of the need to relaunch growth in Europe. He and the new French President have endorsed a proposal to add €10 billion to the capital of the European Investment Bank. Growth is back on the agenda in Europe, but is it back on the agenda in this country despite the opening remark in the Queen's Speech?

What would a growth policy need to be? Conventional wisdom has it that the only way to get growth is to cut taxes and red tape and get the unemployed on their bikes. I am all in favour of good supply side policies, but what the Government fail to grasp is that we have a massive problem of insufficient demand. The actual output of the economy is well below its potential output. Recovery from a slump is not just a matter of making better use of existing resources; it is about bringing into use potential resources which stand idle for lack of demand. This was the great lesson taught by Lord Keynes, a lesson which seems to have been entirely forgotten by the first-class brains in the Treasury.

If we see the problem in this way, the question of government borrowing assumes a different aspect. At present, the Government are borrowing billions of pounds a year to keep people idle. Would it not be far better to use that borrowed money to put them to work building homes, repairing creaking infrastructure and promoting the low-carbon energy economy we all want? After all, if the Government have to borrow vast sums of money—and they have to because they allowed the economy to shrink so much—why not at least borrow to create assets rather than borrow to destroy them? The longer you allow workers and plants to stay idle, the more potential output you are destroying day by day, week by week, until, in the end, the potential output of the economy will shrink to the level of its actual output. I have a question for the Minister. Does he really believe that if the public sector sheds 50% of its jobs, those dismissed workers will straight away find employment in the private sector? If not, the austerity policy is simply adding to the dole queues. That is the charge that he must face and refute if he can.

Even in Whitehall, things are stirring. The Queen's Speech promises a Bill to set up a green investment bank to invest in the low-carbon economy. I congratulate the Business Secretary Vince Cable on his persistence in pressing the case for the green bank against Treasury objections. However, I wish Ministers would think along bolder lines. The bank's capitalisation is too small—only £3 billion—and it will not be allowed to borrow until April 2015, subject to public sector net debt falling as a percentage of GDP, a prospect that currently looks extremely unlikely.

A practical man would ask what such a bank would invest in, and why, if there are so many investment opportunities around, they are going begging. There are two answers to the second question. First, there are large-scale projects in which the private sector will never invest on its own because the private rate of return is too distant, too modest and too uncertain. That means that, however great the social benefits, the investments will not be made except by the Government or with a government guarantee or subsidy. Most of a country's transport infrastructure falls into this category. Secondly, there is an additional motive for an active investment policy when business confidence is shattered, as it now is. The corporate sector is sitting on almost £800 billion of cash—more than 50% of GDP. This is because when confidence in the future is low, almost all investment seems riskier for both lenders and borrowers.

Finally, what would a green investment bank invest in? It would obviously invest in carbon-reduction activities. Incidentally, the mandate of the European Investment Bank is wider than this because it includes among its objects the promotion of growth and employment potential. Whatever the bank's scope, it is crucial that it gets a clear mandate, so that the private sector can plan its investment against a stable policy environment.

Many of us will have pet schemes to bring to the table. For example, there is the proposal of the Institute of Civil Engineers to establish regional water-transfer
networks via new and existing canal systems. The Scottish Federation of Housing Associations has argued for preventive spending on social housing. Will not the Chancellor understand that we need preventive spending rather than spending prevention? The sooner that the Prime Minister and the Chancellor start investing in Britain, the better. If they continue in the spirit of denial, they will be swept from the seats of power, as Governments have been all over Europe—and they will deserve to be.

8.33 pm

Lord Tugendhat: My Lords, my big disappointment in the Queen's Speech is the absence of a Bill to deal with top executive pay. Mr Cable appeared to promise one and it is long overdue. In the previous Parliament, the noble Lord, Lord Gavron, introduced such a Bill, which I supported, as did the noble Lord, Lord Taverne, and several other noble Lords from both sides of the House. I am pleased to see that he has reintroduced a similar Bill, so if the Government do not come forward with a measure, it at least lies in the hands of the House of Lords to push this proposition along. I hope it will enjoy the all-party support that it deserves.

The fact that shareholders are at last exercising some muscle over excessive pay linked to poor performance is encouraging. I refer here to the recent revolts at Aviva, Astra, Zeneca, Barclays, Trinity Mirror and Xstrata, to name only a few companies. We have seen similar phenomena in the United States and Switzerland. However, the fact that shareholders are now exercising some muscle does not mean that the Government can sit back and do nothing. The examples to which I have referred are egregious. We need a framework and a set of criteria within which shareholders can act and the rest of society can assess their effectiveness.

"Society" is a key word here. As Niall FitzGerald, the former chairman of Unilever, has pointed out:

"Business is part of society, not outside it".

The rate at which top executive pay has increased in recent years puts those who receive it beyond the range of normal society. Here, I do not refer to just the banks by any means. Between 1999 and 2009, the total earnings of FTSE 100 CEOs jumped from 47 times UK median full-time earnings to 88 times. In 2010, the increase in CEO remuneration was 43%, while other top executives achieved even more. Last year's increase looks likely to be more modest but still way beyond that of most other—probably all—sections of society.

Richard Lambert, the former director-general of the CBI, made two very important points about this phenomenon in an article in the Financial Times last November. One was that this is a "big company" issue, involving a small group of individuals. Those in SMEs are in nothing like the same category. The other was that it, "is damaging the interests of British business in political, economic and reputational terms".

Two months ago, Simon Walker, the current— I emphasise the word "current"—director-general of the Institute of Directors was more blunt. He wrote in the Financial Times that,

"executive remuneration at our biggest companies is at the wrong level".

Therefore, let us hear no more nonsense about politicians criticising or seeking to act on top executive pay being anti-business. To the contrary, it is necessary to save business from itself.

Against this background I should like to set out some points and principles that should inform the Government's approach. The first is to subject to severe scrutiny arguments about an international market in executive talent and the UK being in danger of losing out. There is indeed such a market, there are such individuals and we must ensure that the United Kingdom does not lose out. However, this market is very much smaller and the number of individuals much fewer than most of this theory's proponents tend to put forward. They account for a very small proportion. Most senior executives do not fall into this category and are neither willing nor able to move internationally. What happens is that the enormous packages sometimes—quite often properly—awarded to the internationally mobile, whether British or foreign, pull up other people's packages behind them. You then have the phenomenon whereby because someone—whether British or foreign—who has been recruited from outside earns an astronomical amount of money, his or her colleagues therefore need to be within the same range. Of course, that does not follow at all.

That is one reason why it is very important to make senior executive contracts simpler and more transparent. In recent years they have become ever more complex and opaque, and designed to make it hard for outsiders to comprehend the level of benefits. It is vital that shareholders should be able to understand exactly what senior executives stand to get in return for meeting what objectives, and what their severance terms are. The Dodd-Frank reforms in the United States require the publication of a single aggregate figure for the total annual compensation of each board member and we should have the same.

Linked to that, the time has come to look carefully at so-called incentivisation schemes. Too often in recent years these have led to corporate strategies being distorted by the desire of executives to earn bonuses linked to short-term growth in profits or share price rather than taking a long view.

Finally, under this head, Richard Lambert makes a good point when he suggests that companies should be required to produce a budget for the pay of their top executives so that if one executive gets more for some exceptional reasons, others would share in a smaller pot. This budget in turn should be linked to the company's strategy.

As I said a few moments ago, business is part of society. By that, I mean that it also comprises not only those who run it but also those who own it—shareholders, directly or indirectly—and those who work in it. The ultimate decision on senior executive pay must rest with shareholders. But I believe that we should also strive to find a way of ensuring that those who work for an enterprise are able to make an input into what senior executives are paid. The senior executives should have to explain and justify their remuneration to those who work for them. Finding the right way to do that will be extremely difficult but I think that that is one element that also needs to be looked into and to which we need to find an answer.
Lord Desai: My Lords, it is a great pleasure to follow the noble Lord, Lord Tugendhat. Before I get to what I want to say, I offer one suggestion to his excellent proposal. I have thought for a long time that, in order to curb high salaries, we should consider adding the wage bill of top executives to the profits and putting corporate tax on all that. Perhaps I may use old-fashioned terminology: let us consider production workers and non-production workers. The wages of production workers are outside this but the salaries of non-production workers are added to profits, and tax is put on both of them. I have always believed that moral exhortation is neither here nor there. It is when it hits the pocketbook that companies will behave themselves.

I want to take up the challenge before us all; namely, what is happening and how we can make things better. In the week since the gracious Speech, the situation in the eurozone has worsened more than we ever thought would be possible. I presume that in the next week or so we may see a serious crisis in it. I start with a proposition which reflects on the speech made by the noble Lord, Lord Skidelsky. Yes, it is possible that there is denial and cognitive dissonance. But if a lot of countries simultaneously are in denial and in cognitive dissonance, it behoves us to ask whether there is another explanation than willful obstinacy to do what has to be done.

No Governments want to be unpopular or to have austerity. If a Government choose austerity, there may be a reason behind that. After all, over many years, we have all been brought up on Keynesian economics. Why have we suddenly gone off Keynesian economics, not only in this country but across Europe? Even in the United States, often cited as an example to the contrary, there has not been a major boost to the economy since the first year of the Obama presidency.

I have always thought that there is another explanation for why Governments do not adopt more borrowing and spending to get growth now and to get themselves out of the problem. I believe that this crisis is not like other crises of the past. It does not come from a lack of effective demand. Keynes was always worried about oversaving. This is a crisis of undersaving and we have been in it for many years. In one way, this crisis started in the 1970s when we began to lose manufacturing industry across most OECD countries. There were few exceptions. A lot of the manufacturing industry, especially the low and medium-technology manufacturing industry, moved east or south to where it was wanted. That led to a huge hollowing out of the job market for unskilled or semi-skilled manual workers.

Countries which had a good welfare state put all those people into long-term unemployment and have sustained them. Countries which did not have a good welfare state, such as the United States, let the wages of those people drop to a very low level. In America, we have seen stagnation in the average wage. People who cannot be in manufacturing are in very low paid service-sector jobs. Across Europe, we have maintained long-term unemployment and those who are in employment have been able, for a while, to increase their wages. However, even there, there is a lot of inequality because in the service sector you have either very highly paid jobs—for example, financial services—or very low paid jobs in the retail or restaurant trades and so on.

We have had an economic transformation. For a while, we have filled the gap of manufacturing employment with service sector employment and borrowing. Personal borrowing fuelled demand for us for a long time. Corresponding to our undersaving—savings practically disappeared from western society—there was always saving in Asia. Basically, all that saving in Asia was used by us to perpetuate employment, but it was not a sustainable model. If government borrowing had been self-liquidating, and every time the Government borrowed money there was a sufficient multiplier effect and the debt retired itself, we would never have been in this situation. The point is that even European Governments, including France and Germany, were borrowing and running deficits at full employment level, because that was the only way in which they could sustain their welfare states. If that model is not feasible, we have to do something.

I am sorry to be so gloomy, but I do not believe that we will get out of this any time soon. A lot of people think that there is some magic potion that will get us growth. There is a lot of micro-thinking on cutting red tape and this and that. But all those things, even if you did them, would not increase the growth rate immediately, and when they did they would increase the growth rate by no more than one-quarter of 1 percentage point. It is worth doing, but it is not enough.

The issue that we face is whether we can spend our way out. As the noble Lord, Lord Skidelsky, said, we have a problem. The corporate sector is sitting on surpluses and not investing, and the government sector has decided—the noble Lord rightly disagreed, as a lot of other people have—that the Government should borrow more money and get out of it that way. This is the central problem to which the Government have not yet seen a solution. Just as once upon a time we used to believe in crowding out, we now want there to be crowding in, which is not happening. Just because Governments do not spend does not mean that business spends, so I think that there is a missing link in between.

I suggested when we discussed the Budget that there was a way out for the Government, and I know that the Minister will pooh-pooh my suggestion as he did once before. But if there is a windfall gain from an asset sale, such as the Government had from selling Royal Mail for £28 billion, you could say that you cannot spend that money because there is a big liability, yet money is fungible. If you get £28 billion when you did not expect it, there must be £28 billion somewhere else that you can release. The Government should decide on the very low rate of growth that we have achieved. The negative numbers may be slightly more positive and we may not be in a double-dip recession, but that does not matter—we are now counting growth in basis points, not even percentages. What is true and what the OBR has said is that this is going to be a very difficult year. Given that asset sale, or any other asset sale that the Government might plan—I hope they do—we should allow ourselves a little bit of slack,
Perhaps they could spend the money not on infrastructure investment but in immediate vouchers to those poor grannies whose tax they have increased. Give the grannies £1,000 per granny and you will see a revival in the economy.

8.51 pm

**Lord Addington:** My Lords, when I put my name down to speak in this debate, it was inspired not so much by what we were discussing today but by the subjects discussed yesterday. Primarily, I am going to talk about the apprenticeship system and the developments in it. The noble Baroness, Lady Wilcox, may wish that she had taken a few more moments over her break, because I have discussed this subject with her far too often; neither of us particularly wanted to, but we felt we had to. We are missing the noble Lord, Lord Young, who talked about apprenticeships.

On this subject, the cock-up school of history is proved right in Whitehall. The training programme for business has not paid attention to what is going on in the education sector. We have a new approach on SEN. Perhaps the Minister could give us an assurance that in future when there is a training scheme we will not make the series of mistakes that we made over the introduction of the apprenticeship scheme. We designed it so that the biggest disability group in the country, dyslexics, or at least those at the severe end—I think that my interests are pretty well known in this House—were excluded from taking the qualification, because it asked for a written English test. You could not use the normal ways around to cope with that test that were available in all other parts of the education sector. I do not think that it was malicious. People said that we must raise standards and have good written skills, so we should have this very tough qualification. When the previous Government brought it in and the problem was pointed out to them, they said, “Yes, we will change it”. But we then had something rather inconvenient called the general election. There are lots of sporting analogies you can make about dropping the ball and bad passes; all I know is that we are now scrambling back to recover from the damage. The last 18 months of my life, which have impinged on the noble Baroness, Lady Wilcox, may wish that she had taken a few more moments over her break, because I have discussed this subject with her far too often; neither of us particularly wanted to, but we felt we had to. We are missing the noble Lord, Lord Young, who talked about apprenticeships.

Are we going to ensure that we look more across the board? If you have been in this House as long as I have, you can make a series of set speeches on almost any occasion. For example, you can speak about the Chinese walls that exist between departments, which means that they do not talk to each other. There is a massive example of that happening in the area which I am discussing. Indeed, there are Chinese walls within departments, which means that people in different segments of the same department do not talk to each other. If you are dyslexic, you can take a degree with assistive technology. I declare another interest in that I am chairman of a company which provides such technology. You cannot use that technology when undertaking an apprenticeship or for a course that trains you to develop a skill, usually a manual skill, which involves you not being based in an office with a computer. However, you can use it to take a degree in English, which might help you to find such work. A drunken logic is crawling through my remarks.

I hope that the Government will act quickly to correct the mistakes that have been made in this area. The noble Baroness and I are wonderful friends but I do not wish to keep discussing this subject with her. Therefore, I hope that it will be addressed more effectively than has been the case. I thank the noble Baroness as progress seems to have been made in this area. However, I will not celebrate as I thought that I had dealt with this matter on three previous occasions. Perhaps it is a case of fourth time lucky. The previous Government acted in good faith in this regard but we should remember that their attempts to rectify the situation went wrong. The current Government should remember that and try to adopt a culture of cross-departmental oversight. We must not allow the mistakes to which I have referred to recur. If departments look more carefully at what other departments are doing, we will save ourselves a great deal of time.

If you want to help those disabled people for whom it is most difficult to obtain employment, particularly high-value employment—people with dyslexia may comprise the biggest single group of people in these circumstances but they are not the only ones by a long way—and who are most commonly either unemployed or underemployed, you must make training more accessible. Unless you have the culture in place that I have described, you will not achieve this. Please will the Government reconsider this issue and ensure that the mistakes which have been made do not recur and that training is accessible at all times? If that is not done, irrespective of anything else that you might do, you will end up taking two steps forward, one back and then usually one sideways. Life is too short; let us not make the same mistakes again.

8.56 pm

**Lord Lucas:** My Lords, I cannot help my noble friend on the question of which economist has the best recipe for growing the economy—growing hair, yes, but not the economy. Therefore, I shall concentrate instead on fairness, regulation and votes in this House.

It seems to me that we are going to experience tough times for some while. Under those circumstances, fairness is terribly important. We have to be sure that particular groups do not manage to feather their own nests while the rest of us are having a hard time of it. Therefore, I entirely support what my noble friend Lord Tugendhat said about executive pay. There are structural reasons why executive pay has escaped reality in the way that it has and we need to make structural changes to bring it back into balance. I am grateful to my right honourable friend the Chancellor for the steps that he took in the direction of fairness in his Budget, particularly as regards the payment of stamp duty on the part of people who were dodging paying it by means of measures connected with oversees companies.

I am also grateful to my noble friend the Minister and his colleagues for their help on low-value consignment relief, a nice little dodge that enabled pirates in the Channel Islands to make off with a couple of hundred
We also need to deal with big companies that are getting away with not paying tax. Goldman was in the news again the other day. That will not do. It is not fair and something has to be done about it. My favourite bogeyman is Amazon, which has £7 billion of sales but pays no corporation tax. That is just taking the mick. The Government have plenty of ways of pressuring Amazon. It is running a most unprincipled monopoly. I cannot find a major book publisher who will come to tea in this House and talk to me about what Amazon does. I have to find out what is happening from the little boys, who are less frightened. If you sell through the Amazon marketplace, you are not allowed to sell anywhere else in the world at a lower price. Amazon makes you keep your prices up elsewhere at the level at which you sell on Amazon, and it appears to be allowed to do that. There does not seem to be any thought of a referral to the Competition Commission. Amazon encourages people who use its marketplace to evade VAT. It was also extremely slow in complying with regulations that require it to produce information about who people are buying from in its marketplace, and it is still not acting satisfactorily in that regard.

There are lots of ways in which the Government can bring pressure to bear on Amazon. They are dealing with the supermarkets in a very similar situation; it is time that they dealt with Amazon. Having these major corporations destroying jobs and tax-paying businesses while paying no tax themselves absolutely will not do.

I want to speak about the benefits of regulation. I am looking forward to our changes in financial regulation. Investor protection has been a positive thing in this country, although it has sometimes been overenacted. I encourage my noble friend to consider extending disintermediation to collective investments, however, because each investor nominally owns a tree or two separately, they are not seen as collective investments and are not regulated. A lot of people are going to get hurt by such schemes and the Government really ought to tackle them. We have got used to protection and we deserve it.

The other area where regulation will do some good is in disintermediation. A number of companies, such as Zoopla, disintermediate basic banking. You can borrow from them and lend to them but you do not; you lend to the borrower and the borrower borrows from you directly. If you are a lender and a borrower, you can get much better rates from them than from a high street bank because you are cutting out all the intermediary functions and, in particular, you are cutting out all the costs that come from banks having to carry capital. You are doing away with one of those comfortable lies, which is that it is possible for banks to borrow short and lend long without carrying undue risk. You are taking that risk straight through from borrower to investor and are therefore able to offer much better rates. However, businesses such as Zoopla do not grow very fast and they are not very big, one of the principal reasons being that they are outside investor protection. People do not know how these businesses are run. They are not subject to any overt regulation. However, people have got used to safety and they want it. These businesses are basically good, worth while, sensible, money-saving and growth-generating, and they ought to be brought within the ambit of financial regulation so that people can trust them and use them as part of their ordinary range of investments. The same applies to venture capital.

Earlier, one of my noble friends talked about the price of annuities. If older people want income and young people want capital, matching the two can be done through disintermediation. One does not need to go through the horrible arrangements that have to be gone through at the moment based on gilt rates. If we could extend disintermediation to collective investments, that would be a real attack on executive pay. I am sorry; I am too old to be frightened by the Whips.

When it comes to votes in this House, we like to tell ourselves that we are a House of expertise, experience and independence. If change comes, that situation will degenerate and we shall become a House of politics. We are letting that happen. On all sides in this House, we are becoming more and more subject to the Whips; we are voting according to politics rather than according to our expertise. However, we are being freed from this by the Government because the Government have decided that they have no loyalty to us. They are prepared to sell us down the river for their own political ambitions. Therefore, we do not have to show loyalty to them for a while. We can vote on the basis of our expertise and our understanding. I think that that would improve the politics in this House. If what we sent back to the other end were not the product of political pressure, but the product of our own wise judgment, that would improve the performance of this House. I hope that we shall do that more in the coming year.
He exhorted the divided peoples of Ireland, words of great poignancy were spoken by King George V. to Ireland more generally. Ninety-one years ago, famous Lordships’ attention briefly to Northern Ireland and generational unemployment are endemic.

Today, no one seriously dissents from the proposition that the Northern Ireland economy must be rebalanced in order to stimulate private sector business and jobs. The coalition Government at Westminster committed themselves firmly to the task in their agreed programme two years ago. My right honourable friend the Secretary of State for Northern Ireland has recently underlined its importance. Rebalancing the economy, he said in Dublin last month, “is probably the biggest single contribution that the UK Government could make to sustaining peace”.

He also said:

“Just think of the impact that greater prosperity and jobs could have in parts of Northern Ireland where worklessness and generational unemployment are endemic”.

To remove what has become endemic will take time. My right honourable friend frequently refers to the need for sustained action over 25 years. In this he is at one with the coalition Executive at Stormont. It has recently produced an extremely ambitious strategy document, packed with detailed proposals and plans, all designed, in its words, to create, “a prosperous local economy over the short, medium and longer term to 2030”.

If success is achieved, Northern Ireland will recover its lost prosperity. The document states:

“Our economic vision for 2030 is … an economy characterised by a sustainable and growing private sector, where a greater number of firms compete in global markets and there is growing employment and prosperity for all”.

There is a widespread but by no means universal view in Northern Ireland that a bold, unconventional initiative should now be taken to give the process of change powerful momentum. It would involve the transfer of responsibility for corporation tax to the Stormont coalition Executive, with a consequent reduction in the block grant that currently finances their work. This would enable them to cut corporation tax in Northern Ireland decisively. The case for such a dramatic change was discussed at length in the consultation document, Rebalancing the Northern Ireland Economy, published by the Treasury in March last year. It noted that,

“Northern Ireland has its own unique set of circumstances, not least a land border with the Republic of Ireland with one of the world’s lowest corporation tax regimes … Reducing the corporation tax rate in Northern Ireland would have a positive impact on both domestic investment and FDI”— foreign direct investment— “which could lead to increased economic growth and a stronger private sector”.

A corporation tax rate of 12.5%, matching that of the Irish Republic, would be in prospect if this unprecedented initiative were to be undertaken. A ministerial working group set up last October to examine the complex and technical issues that may arise is expected to report this summer. My noble friend the Minister may be able to comment on the progress that is being made.

Unsurprisingly, the issue has dominated all recent discussion of economic affairs in Northern Ireland. There is a danger that it could come to be regarded as a panacea for all the Province’s principal economic ills. The Northern Ireland Executive’s new economic strategy document helps most usefully to counter that danger by expounding the wide range of other measures that are needed, such as increased investment in research and development, and expansion of higher-level skills among young people.

Northern Ireland could also gain greatly from a profoundly important Thatcherite idea: the economic enterprise zone, whose time seems to have come again. It occupies no prominent place in the Executive’s economic strategy, but that is where it should be.

The gracious Speech states that the Government, “will continue to work constructively and co-operatively with the devolved institutions”.

Nowhere is this more important than in Northern Ireland.
Baroness Drake: My Lords, the focus in the Government’s programme on fair markets and the regulation of the financial services sector is to be welcomed. With auto-enrolment into pensions, millions more people will save through capital markets. Confidence in those markets has been worn down by mistrust, scandals, charges, complexities and conflicts of interest. Fiduciary duties exist to ensure that intermediaries—those who exercise discretion over other people’s money—act in the best interests of those whose money they look after. However, interpretations of this vital legal principle are dysfunctional, which undermines outcomes for savers, holds back effective shareholder oversight and allows conflicts of interest to prevail.

Those saving in trust-based occupational pensions should be protected by trustees who are legally obliged to act in their best interests. Those saving with an insurance company are subject to the consumer responsibility principle. As FairPensions points out, most savers are unaware of this legal divide. With auto-enrolment, the employer chooses the pension provider and the power of inertia increases saving. The inadequacy of the caveat emptor principle in that situation is evident. However, depending on the type of scheme their employer chooses, savers will find themselves subject to one of two opposing principles: fiduciary duty or caveat emptor. The law should be clarified to overcome the misperception that investors’ duties begin and end with maximising quarterly returns. The Government must provide better understanding and enforcement of investors’ true fiduciary duties.

The Work and Pensions Select Committee concluded in its recent report on auto-enrolment that, “the Financial Services Bill … offers the opportunity for the Financial Conduct Authority … to look at approaches such as that of introducing something akin to a fiduciary duty for those running contract-based schemes”.

The Joint Committee on the draft Bill recommended that the Bill, “place a clear responsibility on firms to act honestly, fairly and professionally in the best interests of their customers”.

The Government have responded with a new principle that firms must, “provide consumers with a level of care that is appropriate”. I fear that that will prove inadequate.

The issue of rewards for failure is the litmus test of how well fiduciary investors are protecting these savers’ interest in well governed companies delivering sustainable returns. As Professor Kay observed in the interim report of his review of UK equity markets, the purpose of equity markets is to improve the performance of companies that are ultimately the only thing that generates value for savers. They drive growth and create jobs. There is a fundamental alignment between the success of companies and the returns to savers. Equity markets exist to serve companies and savers, not to enrich intermediaries.

By this standard, the pensions industry is weak. From 2000-07, real returns to savers averaged just 1.1% per year, and pension fund payments to intermediaries rose by an estimated 50%. Fiduciary standards of care are an essential part of building a financial system that serves savers and the economy. I agree that it was surprising that the Queen’s Speech made no direct mention of executive pay and shareholder rights. Mean FTSE 100 executive pay rose by 49% from 2010-11. Austerity has clearly passed them by.

The shareholders’ spring has seen the flexing of voting power on remuneration reports, but this will not be sustained without addressing the conflicts of interest and behaviours of institutional investors responsible for casting votes on behalf of funds, many holding the savings of millions of people. Take, for example, regulation of the 25 million with-profits policies worth £330 billion. There is no explicit fiduciary duty to protect the best interest of policyholders. Consumer groups such as Which? have criticised the regulatory framework for with-profits policies and failure to control conflicts of interest. The Prudential Regulation Authority will assume responsibility for systemically important insurance companies, but it will not have the remit to protect proactively consumers who hold with-profits policies.

The Bill must provide for the FCA to consult the FCA and consumer groups on the consumer interest. The Government want transparent regulators, but consumer groups and the Joint Committee on the Bill expressed concerns that Section 348 of the Financial Services and Markets Act gold-plates single market directive limitations on the use of confidential information and will provide the FCA from using the new powers that the Bill gives to it. The Financial Secretary to the Treasury, Mark Hoban, has confirmed that the Treasury will undertake a review of Section 348 with its recommendations made available through the passage of the Bill. I dearly hope that those recommendations will support disclosure.

Finally, figures from the Community Development Foundation show that about 4% of lending to SMEs goes into businesses in the most deprived communities. I recently read an article about the payday loans company Wonga.com launching a service for small firms. Its founder, Mr Damelin, is quoted as saying: “All our research … tells us that small-business lending is broken and we intend to use our platform to offer a real alternative”.

Banks are failing to extend credit to small companies, but this reveals a worrying development in the credit market that exposes small firms, particularly small firms in deprived areas, to exponentially high rates.

The culture of the financial services industry must change and it must behave, in the words of the business Secretary, Vince Cable, as the servant of the economy, not its master.

Lord Bradshaw: My Lords, I am going to talk about railway freight electrification, and in doing so I hope to cover six of the seven subjects that are featured on the screens. The economy of the country would benefit from a 10-year programme to electrify the bulk of our freight railways. Heavy lorries are at present dependent on diesel engines and there is no prospect of changing that in the immediate future. If our ports, factories and distribution centres were linked by an electric railway, this would be a means by which the logistics industry would use fewer heavy lorries for trunk haulage,
The Earl of Caithness: My Lords, the fact that we have spent the past four sitting days navel-gazing is a disgrace, considering the other matters that surround us. The fact that two of the days of debate on the gracious Speech were devoted to the constitution when we have had to condense all the other important issues into fewer days has done the House no good.

Turning to the economy, we should all be grateful for the measures enacted by the coalition Government when they were elected to power in 2010—exactly the action and leadership that the right reverent Prelate the Bishop of Durham called for in his excellent maiden speech. The Government started in a good fashion to clear up the mess left by the previous Government. They positioned the UK well for what was to come and inspired confidence.

It is extraordinary that sterling and the UK are considered a safe haven at present. UK bond yields are at a record low of 1.9%, with inflation at 3.5%. That brings money and people to the UK, and we need more of that. Although the level of sterling is a challenge, it is also an incentive for us to become much more competitive. It is not something for politicians to weaken in order to avoid taking more challenging decisions. As my noble friend Lord Ashton of Hyde said in his wise maiden speech, gold-plated regulation is a severe break on business. My noble friend Lord Sassoon needs to address that, as does every Minister in every department.

In Europe we have been incredibly spoilt for the past 50 years. Yes, there have been occasional difficulties—we had to go to the IMF on one occasion—but by and large we have had good and continuous growth. However, imprudent management, a corrupt banking system and an increasing reliance on debt have led us to believe that the cloud-cuckoo-land we were in would never cease. “The end of boom and bust”, crowed Gordon Brown as he led us deeper into the mire, but now we are facing the truth; the eurozone is in complete crisis, as the UK Government warned it would be in the late 1980s and early 1990s, but sadly political will overrode rational thought and argument. The Governor of the Bank of England calls it the “coming storm”. As the euro train heads for disaster, too many people are still trying to preserve their seats in the first-class compartment rather than to stop the train and change its course.

I believe that in the near future our debates on the economy will be of a very different intensity from that of today. I hope that happens before the vote for separation in Scotland, as in today’s world the one thing that Scotland would not be is independent, either politically or economically.

I welcome the Bill to implement the recommendations of the Independent Commission on Banking, but it is too little, too late. The Bill signifies a substantial change of thinking. I tried to do much the same thing in 2008 with my Safety Deposit Current Accounts Bill. I went further than the projected Bill, and if my Bill had been enacted we would not see many of the problems that we face today. However, I was derided by my now noble friend Lord Razzall, who called my Bill “volcanic”, and the noble Lord, Lord Davies of Oldham, termed it “explosive”. My noble friend hardly mentioned that Bill today, and I await with anticipation the comments of the noble Lord, Lord Davies of Oldham.
Our banking system is based on judicial decisions made in the 1800s, which legalised the theft of deposits by the banks and allowed bankers to print money and behave imprudently. On the one side, we have the EU; on the other, we have the USA. In his short time in office, President Obama has accumulated national debt more than 27 times as fast as in the rest of its entire history. That train, too, is heading for the buffers at speed.

The two speeches that I appreciated most on days 1 and 2 of our debate on the gracious Speech were those of the noble Lords, Lord Owen and Lord Giddens. We are not masters of our own destiny in today’s age, but the Government need to position us correctly for what will emerge from the current crisis. In that context, the amendment of the noble Baroness, Lady Royall, is irrelevant, as she had nothing new to offer us today. Part of that repositioning must include a complete revision of our banking system.

I was hugely disappointed that my noble friend Lady Wilcox made no mention of tidal or wave power in what she said about the electricity market. If the Government want electricity prices to be fair, the considerable subsidy given to inefficient wind turbines should be scrapped.

I turn to the draft water Bill. At first, I thought that it was sad that it was a draft Bill, but having sat on EU Sub-Committee D, which has just looked at the EU blueprint for fresh water and the revision of the European water framework directive, I think that a draft Bill to be studied by a committee of both Houses is an excellent way forward. It needs to take our report into account. The whole subject of water is much more complex and intricate than many of us who sat on that committee realised.

The future of agriculture depends very much on the reform of the common agricultural policy. Again, Sub-Committee D has fed its thoughts into Europe, many of which have been accepted. However, I fear that there is a marked reluctance among many people in Europe to realise that, with the current crisis, the whole CAP system could collapse at very short notice and that the European grant structure for our farmers could be an anachronism within a short time.

It is hugely important that the Government encourage innovation in farming. Farmers have a very difficult job. There is huge competition for what can be done on the land and there are increasing restrictions. No more land is being created. Producing enough food to feed a growing population will need a whole lot more innovation and encouragement.

On the common fisheries policy, I hope that the European Commission will persevere with the suggestions that it put forward, which were also based largely on Sub-Committee D’s proposals—that was before I was a member of it. If our fishing stocks are to be preserved for future generations, substantial changes such as those proposed by the Commission have to be enacted.

9.33 pm

Lord Broers: My Lords, it is an honour to speak in the debate on the Queen’s Speech. I wish to speak on an issue of major importance to the economy. I spent the bulk of my professional career, about 30 years, working in industrial research and development, and this is the only subject that I wish to address today. Research and development is the seed corn for manufacturing and is essential if we are to rebalance our economy and restore our manufacturing output, which has fallen catastrophically from 20% of GDP in 1988 to 11% now, leaving us in ninth place in the world. We were fourth in 1988. Recovery will depend on the excellence of our R&D. R&D expenditure is the best indicator of the likelihood of recovery.

Thankfully, there are signs that the coalition is aware of this and it has supported several initiatives that will help. I will discuss just two of these, though I noted that the noble Lord, Lord Haskel, mentioned the 130 initiatives for manufacturing. I want to talk about the Catapults that are being organised and partly funded by the Technology Strategy Board and the Queen Elizabeth Prize for Engineering, which is privately funded but strongly supported by our leaders. The Catapults came about as a result of Dr Hermann Hauser and his report that recommended the setting up of institutes similar to the German Fraunhofer Gesellshaft Institutes. Industry and academia will work together in the Catapults under the leadership of industry to harness the output of our strong science base for commercial advantage. There are to be seven of these centres, organised by the TSB and funded roughly in thirds by the TSB, by industry and through publicly funded research programmes. I hope that these will include the Framework Programmes, funded by the European Commission. The aim is to have each of these centres receive about £30 million a year total. The seven centres will therefore represent about a £200 million increase in R&D.

These Catapults should make an important contribution provided they are allowed to be independent and driven by the needs of industry and not strangled by the imposition of government-driven regulation and assessment. It will be a mammoth task, however, to scale them up to match the contribution of the Fraunhofer to German industry. There are 60 Fraunhofer Institutes, funded with £1.8 billion annually. Of this, 70% comes from contracts with industry and from publicly financed research contracts and 30% comes from the German federal and länder Governments. We made a good start but there is a long way to go. I urge the Government to set these institutes free and not harness them with unnecessary bureaucracy.

Overall, we need to increase our annual R&D spend by about 0.8% of GDP to match Germany and the USA, or about 1.4% to equal Japan. To compete with Germany and the USA, therefore, we would need to spend roughly an additional £10 billion annually on R&D over and above what we spend today. This places in context the £200 million for the Catapults. Sir Alan Rudge, who has been working with the Electrical Research Association Foundation on these crucial matters, has pointed out that our shortfall is in part due to the reduction in size of our industrial sector. Many of our companies have excellent R&D, but there are not enough of them; there are others that are failing to invest in the development of the new products that will be essential to their survival.
The only way we are going to meet this challenge is for the Government to take on board the magnitude of the problem and introduce appropriately strong incentives for industrial companies of all sizes—not just SMEs, although they are incredibly important—to increase their R&D spend and find ways of transferring more of their own funds to innovation and development. We have the talent and the research base to compete on the world manufacturing stage, but without increasing our R&D spend we will continue to sink down the performance table.

Finally, to finish on a positive note, I would like to praise all three political parties for the strong support they have given to the Queen Elizabeth Prize for Engineering—an initiative designed to inspire young people to take up the challenge of being creative engineers. This magnificent prize, to which the Queen has given her name, was funded generously by forward-looking industry. It was launched last November by the Prime Minister, accompanied by the leaders of the Liberal Democrats and the Labour Party, in the Science Museum in a unique moment of political consensus. Like the Nobel prizes, it is an international prize and at £1 million, it is 50% larger than the Nobel prizes. It will be awarded for ground-breaking innovation in engineering that has been of global benefit to humanity. The prize is directed by a board of trustees chaired by Lord Browne of Madingley. I declare my interest as chairman of the international panel of judges. The prize has been greeted with enthusiasm from all around the world. It is especially pleasing that engineers everywhere have thought it appropriate that the UK should take the lead on this new prize because of the high regard in which British engineers are held. Nowhere is the prize of more importance than in the UK, where it should help to inspire a new generation of creative engineers who will go on to reinvigorate our industrial R&D and thereby ensure a better balance in our economy. It is very encouraging that it has received such strong support from our political leaders.
Today, the monthly maximum for a save-as-you-earn scheme is £250, and the annual limit on a share incentive plan is just £1,500. These limits have not moved since 2000. Companies that operate the schemes are convinced that, if the limits were raised, more money would flow into the schemes and their employee shareholding would grow. This has to be a desirable outcome.

With my time running out, there is only one other point that I would like to make. It concerns the comment of the Foreign Secretary, who urged business not to get on its bike but to jump on board planes. Would that it could. Our airports do not have direct flights to the potentially lucrative markets that we need to reach. Germany and France do not disadvantage their businesses in this way. We need increased airport capacity. If we cannot have a third runway at Heathrow then let us have “Boris Island”, but let us not vacillate any longer. Let us take the decision, and do it.

9.47 pm

Lord Touhig: My Lords, soon after I was elected to the other place I was successful in the ballot to introduce a Private Member’s Bill and I promoted whistleblower protection. Unfortunately, my attempt to enact into law a Bill to protect whistleblowers was unsuccessful in 1996, but I was glad that the Bill was later taken up by Richard Shepherd, MP, and in 1998 the Public Interest Disclosure Act became law.

The Act gave protection to individuals who make certain disclosures of information in the public interest and it allowed such individuals to bring action in respect of victimisation. At that time, this country was the first to offer whistleblower protection to workers in all sectors, but over the years a number of legal loopholes have come to the fore and now the Act is ripe for review. I understand that the Government, rather than do this, intend to bring forward legislation this Session to remove just one of the loopholes by which workers complaining about their private employment rights can be protected.

While I support the premise of such an amendment, I worry that it will fail to address the underlying problem. I fear that it will be viewed as an obstacle to genuine and honest whistleblowers who will have to show that their concern is in the public interest. More than that, the amendment does not address the issue of private employment rights and will instead result in a field day for lawyers. In my view, the proposed amendment should form the basis of a wider consultation of business groups, trades unions and others to make sure that this law is fit for purpose.

That leads me to my main concern: that this is a missed opportunity to consult more widely on whether the Public Interest Disclosure Act 1998 is achieving its purpose that whistleblowers can bring action in respect of victimisation. At that time, this country was the first to offer whistleblower protection to workers in all sectors, but over the years a number of legal loopholes have come to the fore and now the Act is ripe for review. I understand that the Government, rather than do this, intend to bring forward legislation this Session to remove just one of the loopholes by which workers complaining about their private employment rights can be protected.

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That leads me to my main concern: that this is a missed opportunity to consult more widely on whether the Public Interest Disclosure Act 1998 is achieving its aim of protecting workers who raise concerns in the public interest. It will also deny us the chance to look more closely at workplace cultures that we might wish to promote in the future. Robert Francis, in his first report of the Mid Staffordshire NHS Foundation inquiry, highlighted the real difficulties that whistleblowers face when he said:

“It must not be forgotten what pressures can be applied to deter staff from coming forward, and how little it can take to dissuade nervous individuals from pursuing matters.”

A report by the Select Committee on Culture, Media and Sport in the other place into News International and phone hacking highlights the need to make sure that whistleblower protection in the UK is effective. If there is a poor or corporate culture, real and effective protection needs to be offered to workers so that the alarm can be raised and the issue addressed before there is a public outcry.

I would like to draw attention to the areas within the legislation that could do with a closer look and a thorough public consultation. The first is that of vicarious liability. Two years ago, three nurses from a walk-in clinic raised concerns about a fellow nurse lying about their qualifications. However, the nurses were subject to bullying and harassment from co-workers. One of the nurses received a telephone call threatening to harm her daughter and to burn down her home. The case proceeded as far as the Court of Appeal, which found that vicarious liability does not exist in the Public Interest Disclosure Act, as it specifically does in discrimination law.

From the experience on the whistleblowing advice line run by Public Concern at Work, harassment and bullying by co-workers is not uncommon, and for protection to be lacking in this area is extremely problematic, as it means that whistleblowers could think that they are protected when they are not. One way of overcoming this would be to examine the framework of the Equality Act 2010.

The second issue relates to the scope of protection offered. Loopholes have been allowed to develop whereby student nurses, doctors, healthcare professionals and student social workers are not protected by the Public Interest Disclosure Act. These loopholes have meant that those who are new to the workplace will not speak up without being safe in the knowledge that they will be protected for raising their concerns. Instead they risk damaging their careers, and as a result we risk creating a culture of silence among the workers of tomorrow. I argue that the list of those covered needs to be revised to include non-executive directors, including public appointments, volunteers and job applicants.

Thirdly, there is the issue of gagging clauses found in compromise agreements and contracts. These prevent individuals from speaking up about wrongdoings. There are stories of increasing secrecy in particular sectors and heavy-handed lawyers giving the impression that individuals have signed a confidentiality agreement that prevents them speaking up about wrongdoing. This in itself is wrong in law, and the Government need to review how they might address this conundrum.

One high-profile example is the case of Dr Kim Holt, a doctor at Great Ormond Street, who was victimised after she and three other doctors wrote to management warning that staff shortages and poor record-keeping would lead to a tragedy. Six months later, her worst fears became reality when an inexperienced doctor who had replaced her at the clinic failed to spot that Baby Peter was the victim of serious physical abuse.

More needs to be done to promote the principles behind the Public Interest Disclosure Act and to prevent our public bodies giving the impression that those
[LORD TOUHIG]

who leave their employment are never meant to raise these issues again. The Act needs a great deal more discussion and there needs to be more consultation on it. It is unsatisfactory if the Government wish to change the law without allowing for the widest possible consultation.

If we are to foster strong cultures of corporate accountability in the United Kingdom, it is only right that we ensure that we protect workers who raise concerns in the public interest and promote this protection so that raising concerns effectively becomes second nature for all those who work in Britain.

9.54 pm

Baroness Scott of Needham Market: My Lords, I am not an economist and therefore have no intention whatever of venturing into the debate on the deficit, its causes and how it might be tackled. However, I want to reflect on the fact that in this House and beyond there would be consensus that growth, when it comes, will to a large extent be dependent on infrastructure investment, particularly on transport. That point was very well made by the Association of British Chambers of Commerce in its briefing for this debate.

It is often said that transport plays a fundamental role in the economic, social and environmental well-being of our country. Everybody says that, and to an extent they understand it, yet this sector is bedevilled by lack of coherence. Interaction between levels and tiers of government and with industry and finance is haphazard and leads to poor and often random outcomes. A key constraint is the uncertainty of delivery of large publicly funded infrastructure schemes. Current mechanisms often work in total isolation from the development planning process and from financing.

As an honorary fellow of the Chartered Institution of Highways & Transportation, whose members are drawn widely from across the sector, I can commend to the Government the work that it has done to see how this situation can be improved. Its work has shown that there is potential for generating private sector capital through planning gain and the uplift in land values through investment in transport. This is the ethos that underpins the Government’s community infrastructure levy, but much more needs to be done to ensure that government at all levels enter into true partnership with the private sector which needs encouragement to look at profit sharing and collaborative arrangements regarding land acquisition.

The majority of road schemes are and will remain local. With the localism agenda firmly in place, the mechanisms we use to deliver local infrastructure are urgently in need of review. The newly created local enterprise partnerships could take the lead in creating local infrastructure funds, a hybrid public and private sector vehicle for delivering local schemes and giving modest capital returns on private investment. Perhaps the Government could look at how such schemes could work and could pilot some because that would enable local businesses and local citizens to work with local government to invest in their own area. These municipal bonds could include provision for investment from local authorities’ own pension funds. If the Government were prepared to prime them by providing some forward funding, it would enable these projects to get off the ground. Their investment would be repaid afterwards by capturing the economic benefit of such schemes. It is often the case that cash flow prevents the private sector funding such infrastructure, but there will be provision to make profit later, so this would be a low risk and relatively low cost mechanism by which the Government could stimulate delivery, particularly of road infrastructure.

Other schemes are worth while but are not quite viable without some level of public support. Here the Government should provide grants to fill the gap and should prioritise those areas that deliver growth. Both gap funding and forward funding will bring forward additional private sector investment in several forms: infrastructure, development and business and employment investment. It is estimated that infrastructure investment can result in a multiplying effect on the economy of between three and six times the initial investment. The challenge is not so much funding it as bringing together planning, funding and delivery. If local government in particular could engage with businesses at an earlier stage, it would increase the chances of coming up with schemes that meet the objectives of both sides, giving each the incentive to make progress. It would also focus the minds of local authorities on schemes that are deliverable rather than on the lists of aspirations that lurk in local transport plans for years with no realistic chance of being delivered.

To bring back market confidence and to encourage parties to engage and investment to flow, we need new mechanisms that would reduce the initial costs of scheme development because at the moment this presents a considerable risk and a large, potentially abortive, cost to investors. This needs all parties to rethink their approach to planning and delivery and their respective roles in them. If the Government are serious about private sector investment in transport, they need to recognise that decision-making and funding decisions have to be streamlined and a more certain environment has to be created. This applies whether you are talking about local or national schemes.

The Government should also consider creating a national hybrid public/private investment funding scheme for large transport schemes. In such a scheme, private investors could pool the risk across a portfolio of transport investments. Decoupling investment from the success or failure of any individual scheme is a standard risk elsewhere and could be attractive in the transport sector.

The Government are looking at new models of managing our highway network, in which roads would become owned and managed by the private sector, regulated by central and local government. Funding would come through the existing system of allocating money or—whisper it quietly—could evolve into road-user charging for funding improvements and new schemes. There is considerable consensus throughout the transport industry that road-user charging could revolutionise the way we use transport by enabling tariffs to reflect the location of the road and the time when it is used. It remains as politically unacceptable today as it was a decade ago, when the Commission for Integrated
Transport put its weight behind it. Unless there is an outbreak of political consensus to match the professional one, we will make no moves in the direction of road-user charging.

In the mean time, I suggest that the Government take a look at the work of the chartered institute and some of the models that I have suggested this evening. If they do not, they will simply fail to get private sector investment in transport and to deliver the role that new transport plays in developing growth.

10.01 pm

Lord Rowe-Beddoe: My Lords, there is much in the gracious Speech on which I would wish to comment. However, I shall reserve myself to two topics from today's box of liquorice allsorts.

First, unlike the noble Lords, Lord Patten and Lord Myners, and maybe others, I warmly welcome the introduction of legislation to establish an independent adjudicator to ensure that supermarkets deal fairly and lawfully with suppliers. As your Lordships have been informed, the creation of such an adjudicator or ombudsman appeared in the 2010 general election manifestos of five parties—Conservative, Labour, Liberal Democrat, Plaid Cymru and the Green Party. Many of your Lordships will have heard of instances of the purchasing power of some major food retailers having a most deleterious effect on both direct and indirect suppliers. We talk of farmers, food growers and food manufacturers. A fair deal is a laudable objective. It would also impact favourably on small grocery outlets, which are in great decline—not terminal, we hope—in many of our villages, small towns and even cities. The Department for Business, Innovation and Skills informs us that five retailers now own some 75% of the UK's £146 billion grocery market.

Many of your Lordships have witnessed, as the noble Baroness, Lady Byford, so aptly described, the ongoing destruction of village and town high streets as shops—certainly not just groceries—are put out of business by both out-of-town supermarkets and their smaller in-town offspring. The price benefit to the consumer can be demonstrable, but if the supplier is protected the differential between the giant and the minnow outlet can be greatly reduced. I hope that the legislation will succeed in so doing.

I turn now to the energy Bill. The Energy and Climate Change Committee in another place will shortly receive its for pre-legislative scrutiny, with a view to reporting. I believe, before the summer Recess. The gracious Speech refers to delivering, "secure, clean and affordable electricity".

To my great dismay, I find no reference whatever in published documentation to the Severn barrage, the latest proposals for which demonstrate it to be the single most important low-carbon, renewable energy project in the whole of Europe. I crave your Lordships' indulgence as I am moved, now for the fourth time in some six years, to say a little about the potential and benefits of this grand project, as our Gallic neighbours would have it. In fact, the ground-breaking—or should I say water-breaking—barrage at La Rance is almost 50 years old and has been demonstrating for all its life the multiple benefits which have been accruing.

Today, just 101 years after the first reference to the potential of harnessing the power of the second largest daily rise and fall of tide in the world—it must never be said that Governments in this country move with undue haste—we are now aware of the latest proposal to turn these waters into an extraordinary, exciting, once-in-a-lifetime economic stimulus of such magnitude that I cannot understand the Government's silence. It will produce 5% of the UK's electricity requirement. During construction, it will create some 35,000 jobs in south Wales and in the south-west of England, with at least 10,000 permanent jobs in both regions on both sides of the estuary thereafter. There will be new rail and road links between the two regions. It will make a significant impact on the UK's renewable energy targets. Latest designs and much-improved technology have largely met previous environmental concerns, and the La Rance results in fauna and biodiversity should well satisfy investment environmentalists.

A major difference between the current project and that of 1988 is that the proposers have stated that no government funding is required for the £30 billion-plus development. What is required is a clear message from the Government of support in principle, backing through the planning process and agreement to support and allocate appropriate parliamentary time for the passage of a private Bill. I feel absolutely sure that there is a financial appetite to realise this extraordinary project once the green lights are clearly lit in Westminster and Cardiff.

10.07 pm

Lord Bates: My Lords, I rise to attempt to give an optimistic speech, in the present environment, on the economy. In doing so, I feel a little bit like my comic hero and fellow north-easter, Rowan Atkinson. He used to do a sketch where he came on stage dressed in a track suit and would play the part of a Geordie football manager. He would walk on clapping a football and, looking at the assembled dejected faces in his dressing room, would say, “37-0—but don't worry, lads, we've got everything to play for in the second half. But before we do that, we have got to get back to some basics”. Holding up the ball he would say, “Kev, what's this? And where's it meant to go?”. The answer was, “The goal”. Then Rowan Atkinson, the Geordie football manager, would say, “But whose goal?”. That experience of trying to get back to the basics of what we are about seems pretty fundamental.

In that element of grasping for the basics, I thought about what we should be saying about the economy. What is the role of government in the present environment? There are four points on which I want to focus. First, we need to be quite frank about the limits of government. What can we actually do? The amendment presented to this debate refers to, “the failure of Your Majesty's Government properly to address economic recovery”.

Yet, on looking at the gracious Speech, the whole first page is packed full of references. It states that, “my Government's legislative programme will focus on economic growth”. The amendment refers to the failure of Your Majesty's Government to deal with economic recovery. I want to focus on what we can actually do. The amendment states, “the failure of Your Majesty's Government properly to address economic recovery”. Today, just 101 years after the first reference to the potential of harnessing the power of the second largest daily rise and fall of tide in the world—it must never be said that Governments in this country move with undue haste—we are now aware of the latest proposal to turn these waters into an extraordinary, exciting, once-in-a-lifetime economic stimulus of such magnitude that I cannot understand the Government's silence. It will produce 5% of the UK's electricity requirement. During construction, it will create some 35,000 jobs in south Wales and in the south-west of England, with at least 10,000 permanent jobs in both regions on both sides of the estuary thereafter. There will be new rail and road links between the two regions. It will make a significant impact on the UK's renewable energy targets. Latest designs and much-improved technology have largely met previous environmental concerns, and the La Rance results in fauna and biodiversity should well satisfy investment environmentalists.

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Lord Bates: The next sentence refers to measures to "restore economic stability". That is followed by references, "to reduce burdens on business ... to promote enterprise ... to establish a Green Investment Bank".

for fair energy markets, and so on.

There is a profound misunderstanding in some parts of the House as to the role of government. We hear a clarion cry for there to be a greater increase in public expenditure. What do they think is going on? We inherited a situation in 2010 when public expenditure was £669 billion; the figure last year was £730 billion in absolute terms, and it will go on rising year on year for as far as the forecasts go out. Added to that, they speak almost as if were having a slash and burn austerity drive whereby we reduce every penny of borrowing. Yet we inherited a deficit and a level of government borrowing which was just a shade over £1 trillion and over the next four years we will not repay one penny of that. In fact, we will add 40% to that Bill, which people will have to address in future generations. So the notion that somehow this Government are embarking on some one-sided approach to attempt to lift us out of this present situation is fanciful and misleading. It discourages the many people in this country who are working hard in public service jobs and who fail to understand that the Government are taking their position very seriously and value the contribution that they make to the economy. We are taking a balanced approach between different types of investment and efficiency savings in other parts, as we should.

The point that we need to realise is that Governments do not create jobs. They create the environment in which jobs can be created by entrepreneurs and businesses and their employees. That is what we are trying to do, just as in an Olympic year our responsibility is to put on the Games to make sure that they are safe and secure and that the rules and infrastructure are in place. But the real show is what the individual athletes and Olympians actually do with that opportunity, and that requires some encouragement and inspiration. So telling things as they are in terms of what is actually happening in the economy and what the Government are actually doing, which is being passionate about economic growth and trying to delicately lift ourselves out of the situation, is something that is very important to communicate.

There is quite a big trend at present in banker-bashing and attacking the City of London in every way. Banks played a major part in getting us into this problem by irresponsible lending, but Governments undertook irresponsible borrowing and consumers undertook irresponsible borrowing. In that sense, we all have a part in this. Bankers may have got us into this problem, but they must also be the people who help us get out of this problem, so we have to look to restoring health in that environment.

Then there is the importance of Europe. We sometimes sit on the sidelines and look smugly at what is happening there, without realising that it is our biggest customer. Two-thirds of our exports go to Europe. No wonder there, without realising that it is our biggest customer.

It is absolutely fundamental to our success that we see Europe advance.

Over the past year, having travelled extensively through Europe, I have had the opportunity to meet on many occasions the diplomats and officials who are out there selling Britain. They are absolutely passionate about selling Britain; UKTI does an outstanding job. I have seen the passion that they have for the greatness of this country and our educational institutions and businesses. This is a fantastic country; it is a competitive international country; it is the sixth-largest country in the world. When the Chinese are looking to place their Renminbi fund somewhere in the world—and they have the choice of everywhere—they have come to the City of London. When the Japanese want to develop a new motor vehicle, they come to Sunderland and the north-east. That is something that we ought to be proud of. Therefore, I urge noble Lords and my noble friends to remember that and get out there and sell what this country is doing, recognising that the Government are doing as much as they can.

Lord Whitty: My Lords, my main theme tonight concerns economic strategy and the fact that the eurozone authorities and our own coalition Government got diagnosis and prescription profoundly and damagingly wrong, for the reasons that were spelt out so brilliantly by the noble Lord, Lord Skidelsky. First, I have some good news for the Government. Unlike my noble friend Lord Myners, but like another noble Lord who has just spoken, I strongly support the groceries code adjudicator. I champion the consumer, as does the noble Baroness, Lady Wilcox, but we both recognise that it is not in the interests of the consumer for the supermarkets to be able to wipe out farmers and other small producers who are part of the food chain in this country. Therefore, she will have my support on the Groceries Code Adjudicator Bill, although it needs a bit of strengthening.

I welcome other Bills in part. Some of the electricity market reforms proposed in the energy Bill are desirable but it will fail to tackle the problem of investment in nuclear and renewable energy and the problems associated with decarbonising our energy use and of fuel poverty. I had hoped that we would have a fully fledged water Bill. However, as the noble Baroness, Lady Parminter, said, pre-legislative scrutiny may give us a chance to sort out the abstractions regime. That is desperately needed in the light of the pressures imposed on our water resources by climate change and population increase. Therefore, I welcome the commitment with regard to a pre-legislative Bill.

I may also support a few parts of the enterprise and regulatory reform Bill. The rationalisation of the competition structure is sensible. I welcome the green investment bank although I think that it could go significantly further. However, I also fear that better regulation will lead to a substantial attack on environmental regulation and employment protection, which I do not wish to see.

As regards the Financial Services Bill, I welcome the implementation of much of the Vickers report, particularly in relation to the ring-fencing of bank
activities. However, I am afraid that the rest of the Bill is mostly about the location, labelling and institutional structure of the regulators. Frankly, changing location from the FSA to the Bank of England or changing names on doors does not give much comfort to small businesses that cannot get capital from the banks, to those seeking first-time mortgages or to those who are excluded from conventional credit and are falling prey to legal or illegal loan sharks. Above all, I do not think that the Financial Services Bill goes very far to tackle the turmoil in the money markets and the failings of the banking system across Europe and much of the world. That is the backdrop against which we are discussing this matter.

Like the noble Lord, Lord Bates, I do not share the schadenfreude that is felt in relation to the problems of the eurozone. I also fear that the coalition is believing its own propaganda and adopting the wrong policies partly as a result. The only real success that the Government have gained from their statements on economic policy is that they have managed to convince a fair proportion of the press and the public that the crisis is all the fault of the Labour Government, despite its global nature. Frankly, the Labour Party has not been all that good at defending its record. We have heard that mantra repeated today. There was a Labour Government failure: namely, the failure of banking regulation, which was far too light touch. However, it was not as light touch as the present Chancellor then said; he wanted it to be considerably stronger. Nevertheless, it was not a failure of macroeconomic policy. Up until 2008, the UK debt to GDP ratio was lower than that of most OECD countries and lower than it had been for much of our history. Indeed, that applies also to other countries in the eurozone.

With the exception of Greece, this crisis is not primarily one of public finances; it is a problem with the banks. That was true in Ireland four years ago and it is true in Spain this week. By putting all the burden of resolving it on public finances, the symptoms, but not the cause of the problem is being tackled. We have the money markets behaving like packs of feral dogs trying to find the weakest link and Governments who are more afraid of the ratings agencies than they are of their own electorates. When their electorates pronounce, what happens? The Greeks are told to vote again until they get it right, and no doubt if the Irish vote no in the referendum, they will be told the same. However, they will not get it right on that basis because it is the wrong strategy.

I speak as a long-standing pro-European and indeed as a supporter of the euro, and I say this with a heavy heart. I think that what has happened in Europe, reflected here too, is that the decent instincts of post-war social democracy and Christian democracy in Europe have been replaced by a combination of the revival of the understandable German terror of hyperinflation and by ideological neo-liberalism, and lying behind the austerity strategy is the belief that you can win the battle against this crisis only by reducing the size of the state. That is what is behind the strategy in Europe and it is true here in Westminster. Who is paying for this? It is not the bankers, who caused it, but the poorest regions of Europe and of Britain, the youth of Europe and the most vulnerable workers, with inequality growing between regions, between rich and poor, between genders and between the generations.

I recognise that of course there has to be discipline in relation to public spending and the management of our debt, but that discipline has to take into account the profundity of this economic cycle and, if the financial stability pact is so inflexible that it cannot do so, then it is not only Greece that is likely to be the victim.

In the UK we have adopted much of the same approach. At the moment, it looks milder than it does in Greece and Spain but that may be a matter of time. We have only just had a Budget that rewarded the rich and penalised pensioners and petty eaters, and of course 90% of the cuts have yet to come. We have now had a Queen’s Speech that does even less to tackle this economic problem. It has not done very much for small businesses; it has done nothing at all to stimulate the housing market, despite the total dysfunction of that market; it has done almost nothing for green investment, although we could build on the green investment bank; it has done nothing for the regions, infrastructure or manufacturing—there is no investment bank, for example—and nothing for employment, except, bizarrely, to make it easier to sack people.

All our leaders can do is to repeat the mantras of the austerity strategy. The noble Lord, Lord Skidelsky, calls that denial. To me, it is a bit reminiscent of the dreadful twilight days of the Soviet Union, with leaders reasserting failed nostrums and phoney statistics in provincial tractor factories. The country deserves better. Europe deserves better and the Government need to do better.

10.22 pm

Lord Shipley: My Lords, on a wide range of measures the Government’s legislative programme is very welcome, not least on banking—particularly the green investment bank—on pensions, on support for children, on competition policy and on constitutional reform. I welcome in particular the decision to consult further on adult care through a draft Bill, because an agreed policy direction is urgently needed.

There has been some criticism in this debate that more should have been said about economic growth in the gracious Speech. However, we should remember that driving growth and rebalancing the economy is the day-to-day work of government, not least through the Budget process. I find the amendment moved by the Opposition today disingenuous because they fail to acknowledge that their own plan for recovery could never have been delivered.

I should like to raise specifically issues arising from impact assessments of Bills and, in particular, the cumulative impact of different Bills passing at the same time. My reason for doing this will become apparent in a moment. We need to understand better that cumulative impact of Bills—for example, the Welfare Reform Bill, the legal aid Bill and the Localism Bill, particularly its housing elements. Each had provisions which impacted on the others. Therefore, individuals and households on low incomes, women, children, single parents, part-time workers and those in rented
accompanies, among others, may have found themselves affected by several Bills and not just one. Sometimes, as with universal credit, they might gain; in other cases, the impact might be negative. However, the overall position can be opaque. It is not clear to me that the overall direction in terms of impact is properly and fully assessed across Whitehall, and it seems to be left to third parties to do this.

Take child poverty. In October last year, the Joseph Rowntree Foundation reported:

“Relative child poverty will rise from 20 per cent currently to 24 per cent by 2020/21, the highest rate since 1999/2000 and considerably higher than the 10 per cent target in the Child Poverty Act (2010)”.

The foundation has pointed out that universal credit should reduce poverty substantially, but that poverty-increasing effects of other government changes to personal taxes and state benefits will more than offset that. Another source, the Institute for Fiscal Studies, said in January this year that relative child poverty is set to increase by around 400,000 between 2010 and 2015 and absolute child poverty by a further 100,000.

Yet the Queen’s Speech specifically says that the Government,

“will strive to improve the lives of children and families”.

So I hope that, in the coming year, we will see real outcomes to this clearly expressed intention. Perhaps a start could be made with the Local Government Finance Bill, which will devolve council tax benefit to local authorities to manage, along with a 10% cut in funding worth some £500 million. Why 10% and who will pay this? Local authorities will be empowered to increase charges on empty properties and second homes but, if a council does not have many second homes or empty properties, the cost will fall either on individuals in receipt of council tax benefit now—by definition the people least able to pay—or on council taxpayers generally by increasing the level of council tax, which is, in practice, cost shunting from central to local government. As pensioners will be excluded from any benefit loss, it means that those on low incomes—many of them families with children—will have to pay the full cost unless it is spread across council taxpayers generally. I find it odd that this is not explained in the summary impact assessment, nor is there an explanation about the impact on child poverty. No doubt we can debate this further at Second Reading and throughout the passage of the Bill.

I pay tribute to the right reverend Prelate the Bishop of Durham for his contribution in his maiden speech on the state of the economy and sources of investment and in particular for his realistic, and in some cases optimistic, assessment of the opportunities, successes and problems of the region that we both live in. I concur with his comments. He drew out in the debate the skills deficit, which is not unique to the north-east of England. Exactly the same issue would apply in other regions; most notably, I attended a recent meeting in the West Midlands, where employers said that in manufacturing, processing and engineering, around 25% of employers are having difficulty recruiting staff at the correct levels. I was quite astonished by the fact that, despite the millions of pounds that have been spent in recent years on the skills agenda, we have, particularly at levels 3 and 4, a clear skills deficit.

I believe that the problems of the construction industry need to be addressed urgently. The contraction that is now happening may be alleviated by some extra demand arising from the announcements, particularly in housing, in recent months but overall I think further stimulation will be needed, not least in social housing. Hence the need for more thought to be given to increasing councils’ powers and flexibilities to borrow and the need for greater use of their capital receipts from the right-to-buy scheme to be permitted at the very least.

Today’s employment figures show a chink of light. The need for investment in infrastructure seems to be well understood and I hope that the next 12 months will see the underlying rebalancing of our economy set firmly on its course. Meanwhile, inequalities in the face of our financial problems simply must be minimised and fairness maximised to ensure that everyone is in this together.

10.29 pm

Lord Freeman: My Lords, I will concentrate my remarks concerning the gracious Speech on the proposals put forward on energy. Together with the noble Lords, Lord Whitty and Lord Rowe-Beddoe, I helped produce a report on renewable energy. The single point that I make with great emphasis, and address through my noble friend on the Front Bench to the Department of Energy, is that policy has been developed over the past two years in this Parliament, and now is the time to implement it. There should be no more changes, because the financing of our new energy policy in the coming years will require very significant sums of money as well as certainty for the private sector.

I very much welcome the proposals for the green investment bank and the reforms to the electricity market included in the gracious Speech. The past two years have been very productive for the development of policy in the Department of Energy on low-carbon energy, cutting emissions and facilitating investment; but now is the time to send a message to the private sector—I will come to this in a moment—that there will be no more changes or developments in policy. Time is running out. We need an embargo on further policy initiatives.

I very much welcome the feed-in tariff and the guaranteeing of the price for low-carbon technology—the investment costs of producing electricity. The initiatives taken by the department for building new capacity in both nuclear and renewable energy provide fair incentives.

I will say a word about wind power, and in particular offshore wind. I very much welcome the developments that have occurred over the past few years and the significant investment. Compared with the investment in offshore wind that the Germans and the French have achieved, we have a good record so far. The intermittence in the supply of electricity coming from offshore wind is a problem. I hope that the private sector can develop the technology to take excess power generated by prevailing winds that the Central Electricity Generating Board does not need and store and use
that electricity, perhaps using new technologies such as electrolysis to convert and store hydrogen for use in transport, particularly delivery vehicles, buses and so on.

The costs entailed in the delivery of this new energy strategy are very substantial. Estimates for the next five years in this country alone exceed £100 billion. When one considers that policies in France and Germany have brought a fall in central government financing, one can understand that we face a very significant challenge in raising the money. Most of it must come from non-government sources. Obviously there will be subsidies for low-carbon technology that the Government will provide, but the bulk of the investment will have to come from the private sector. UK institutions such as pension funds will not be able to supply a large proportion of that money. Sovereign wealth funds will probably be a better source of finance. The green investment bank is likely to have only something like £3 billion, whereas £100 billion will be required over the next three to five years.

We can also export some of our technology—particularly to China, India and Brazil—for cash receipts. Whether the Government or the private sector facilitate that, it could be a source of funding. The EU Project Bond Initiative, aimed at raising money for energy projects and guaranteed by the European Union, holds some promise. I once again emphasise the importance of certainty for the private sector that no more policy initiatives will proceed. Policies completed: implementation now.

10.35 pm

Lord Northbrook: My Lords, I fully support the coalition’s plan to cut the budget deficit as being its most important economic aim. If the coalition had not tackled this we could have been in the same state as Greece. Much progress has been made on this front. When the Government came to power, the outturn for that year of net borrowing stood at £156 billion. The final 2011-12 figures showed that it had gone down to £126 billion as per the Government’s target.

The success of the conventional gilts auctions so far this month, which have already raised £9 billion at a most favourable rate of interest, shows that the markets have faith in our debt reduction policy, which is so important. The CBI has given its seal of approval to the Government’s economic policies. Its economist has stated that there will be a small recovery this year of 0.6% and a much better improvement in 2013, when the figure will be 2%. The CBI is also confident that inflation will continue on a downward trend and come close to hitting the Government’s target of 2% in the spring of 2013. It believes that consumer spending will recover as inflation falls further and disposable incomes begin to recover.

John Cridland, the director-general, also said at the start of May:

“Despite the disappointing GDP estimate for the first quarter from the ONS, we still think the UK economy will grow in 2012, with faster growth next year. Optimism among businesses has been increasing since the turn of the year, with manufacturing demand holding up. And that is beginning to translate into more jobs and investment”.

The IMF is also fairly upbeat. In April it upgraded its economic forecast for 2012 growth to 0.8%. It cited the colossal efforts in February to avert eurozone meltdown by the European Central Bank when it extended cheap lending to banks. As other noble Lords have stated, we had two bits of very good news today on the employment front and on motor sales. But this can be built on to help business at this critical stage, particularly when things in Europe are bound to get a lot worse.

On Monday, the Prime Minister played host to his Business Advisory Group. Key players such as Justin King of Sainsbury’s have urged the Government to implement in full the schemes that they had and were given.

According to the Sunday Times on 13 May, a report on reforming employment law was drawn up by Apax Partners but was buried on the grounds that it was too controversial. A bonfire of regulations has also been promised, but few businesses report any relaxation in red tape. Indeed, the Government in their own Regulatory Policy Committee 2011 annual report state that the, “number of regulatory proposals deemed ‘Not fit for purpose’ remains unsatisfactory”.

The report goes on to state that over a quarter of impact assessments failed to pass the RPC test.

The next problem area is the banks. They have two conflicts. First, the Government want them to increase their lending. However, that clashes with their need to build up capital. The Independent Banking Commission requires them to hold more capital, but the Government want to limit their foreign rivals. The Bank of England’s new Financial Policy Committee said recently that banks should, “give serious consideration to raising external capital in the coming months”, and, “improve the resilience of their balance sheets”.

Much more needs to be done to sort out this dichotomy so that the UK economy is not placed at a competitive disadvantage to other countries’ banks. Yet this does not excuse the attitude of some banks with regard to lending to smaller companies. The £20 billion national loan guarantee scheme began in March. It enables government-subsidised cheaper loans to companies but apparently the major bank, Santander, has yet to offer this lifeline to its customers, and Lloyds is offering discounts only on loans above £25,000. The Forum of Private Business is unhappy with this situation. Its spokesman said yesterday that:

“This is massively disappointing. We said all along that we had serious doubts whether the smallest firms most in need of cheaper credit would benefit from this scheme”.

Could the Minister please assure the House that more pressure should be put on the likes of Santander and Lloyds, and let me know how much of the £20 billion of the scheme has been taken up?

The banks also have to face in the background the problems of the eurozone. We do not know whether the Greek political parties may be able to form a Government after the election that can put through the necessary measures to meet the requirements of the EU and IMF loans. The European Union has to decide whether to give in yet again and come up with another compromise, or that there has to be an early...
[LORD NORTHBROOK]

exit of Greece from the euro. It would be much better if an early exit of Greece from the euro were to be organised quickly and in confidence, up to the point when the necessary announcements must be made.

I move on next to the subject of quantitative easing. I am not an economist, but it has been suggested that the QE scheme is not being used fully for what it was designed for. When it was set up, the Bank of England said it would be used for corporate bond purchases as well as gilts. That has not happened. Would it not help the economy much more if QE was switched more towards corporate bond purchases, and what are the risks of so doing? The operation seems designed to help more with debt management issues rather than corporations.

The Government need to cut taxes further. Corporation tax remains high in the UK compared with other countries in the G20. We still rank behind Canada, Mexico, China and Turkey in terms of business taxes. I welcome the Chancellor’s decision to cut corporation tax in the Budget, but we are still only in the middle of the G20 pack, according to the CBI. If we are to encourage manufacturing, why not increase the rate of capital allowances? Also, the top rate of personal tax should be reduced to 40% as soon as possible.

Employee measures contained in the Queen’s Speech are unhelpful to industry. The proposed well-meaning sharing of maternity leave will cause a bureaucratic nightmare and certainly discourage any employment of a husband and partner in a business. Anecdotally, I hear that small business employers are less keen to employ a woman of child-bearing age due to not having the infrastructure to cope.

In summary, the coalition are making all the right moves with regard to the most important issue of deficit reduction, but much more needs to be done to stimulate the economy without resorting to a Keynesian stimulus which could endanger our credit status and make it so much more difficult to get rid of the terrible debt burden that we inherited from the last Government.

10.42 pm

LORD MONKS: My Lords, Members of the House may have noticed that two members of the Cabinet have had rather difficult speaking engagements today. The Home Secretary has been to the Police Federation, always a frosty audience when there is a dispute on, and the Foreign Secretary has been at the CBI dinner. For him that would normally be a pretty straightforward engagement, but I wonder how the CBI reacted to his comments this evening. That is one of the few ideas that is linked to spurring growth in the current depressed economy.

This view, which I accept is commonplace among many employers—it is the staple diet of conversations in the lounge bar—is not borne out by the evidence. The Labour Force Survey shows that the effects of employment protection legislation on both spurring and protecting employment are neutral over the cycle. All the surveys that have been done in various countries, apart from those with really excessive regulation, show that to be the case.

We have already debated the rise in the qualifying period for unfair dismissal to two years and the removal of lay members from employment tribunals. I will not go over all that again because there are new proposals now being consulted on, proposals to introduce a fee of over £300 to seek redress at a tribunal and for no-fault dismissals in firms employing 10 or fewer people. That is simply paying them off with the equivalent of a redundancy payment, regardless of the justice of their position or what the employer may have done.

We have heard tributes paid to this country and its creativity and I agree with some of that, but for this country to take such an abject route to growth or think it is going to find a way to growth is a counsel of despair. Saying the UK can only compete if our people are cheaper, work longer and are less protected is a counsel of despair, and a low road to growth if ever there was one.

Since the economic crisis hit us, there has been a clear need for more British companies to be able to move up the value chain to be more innovative, more creative and more highly skilled on a wider range of products and services than we have at the moment. That should be the Government’s strategy, not simply a cheapening process, which seems to be the aim at the moment. That would be the high road to growth rather than the low one, and would involve us doing things well and doing new things on a continual basis.

This process should also involve us thinking about what companies and workplaces should be like in the future. How does executive pay fit in? Should workers be on the remuneration committees? Should we develop a more Germanic system of worker engagement, pulling people together for the good of the firm and the good of the country? That is what the company of the future should embrace and that should be our agenda in this area. That is why, on the other side of the North Sea, people in companies embrace the things that I am talking about. For us to get from where we are now to where they are would inevitably mean more law, not less.

Not all employers are whinging about the employment legislation. The Chartered Institute of Personnel and Development said:

“Businesses have far more to lose in lost productivity from a demotivated and disengaged workforce than they stand to gain from the ability to hire and fire at will”.

I ask the Minister and his colleagues to listen to that wise voice and pay less heed to the whingers.

10.48 pm

LORD TOPE: My Lords, I intend to speak primarily about local government so must start by declaring my interest, as I always do, as a councillor in the London Borough of Sutton and a member of its executive,
if only for the next five days. On Monday, Sutton Council will use one of the many opportunities afforded by the Localism Act, on which we spent so many happy hours last year, to abolish its executive/scrutiny split and establish a committee system that will reflect local government in the 21st century and not be simply a reversion to the service-based committee systems of the previous century.

The subjects for today’s debate are agriculture, business, the economy, energy, environment, local government and transport. Earlier, my noble friend Lord Bradshaw said that he would cover six of the seven in his speech. I can probably claim that I am going to cover all seven of them because all seven are of real importance to local government, and perhaps even more importantly local government has a vital role to play in the success of each of these issues.

Inevitably, much of today’s debate has concentrated on the economy. The days when business and local government regarded each other from a distance with mutual mistrust and misunderstanding are long gone. Each has learnt from the other, each has come to appreciate the better points of the other, and all over the country there are now strong and successful partnerships delivering real benefits for their local communities.

This is a success story on which we need to build. Our next opportunity to do so will be the Local Government Finance Bill, which will be with us in a few weeks’ time. Like the Localism Bill, it comes to us with some room for improvement, not least in that part of the Bill to which my noble friend Lord Shipley referred so eloquently. The other part of the Bill, dealing with the so-called repatriation of business rates, offers the prospect of local authorities providing incentives for real economic growth and working with their local business community to achieve that but to mutual benefit.

If we are really to build on this success, central government must demonstrate that it really trusts local government. It must show that it recognises that elected councillors have their own democratic mandate and are themselves accountable to the people who have elected them, which has usually been done in a far more direct and audible way than elsewhere in government.

The Localism Act made a good start, but it will not implement itself. It provided opportunities for local government, and local government needs to create the space and time to make the most of these opportunities. That would be a challenge at the best of times, and these are hardly the best of times.

Local government is living through a period of unprecedented change and challenge. Those challenges include: the rapid growth in the number of ‘academies’ and in pupil numbers, particularly in London; local authorities’ immanent and very welcome acquisition of responsibility for public health; the coming of police and crime commissioners, which will inevitably affect the relationship between police and local authorities, which again has improved dramatically in the past 20 years; the changes to welfare and the cuts in benefit; and the huge demands placed on adult social care, to which many have referred today; and so on. My noble friend Lord Shipley referred to the cumulative impact of legislation on local authorities, which is huge.

All this change and challenge is happening at a time of cuts in council budgets of unprecedented size and speed. Budgets are reducing dramatically, staffing is reducing dramatically, but the demands on both are increasing at least as dramatically. Doing more for less demands innovation and ingenuity. That is not easily achieved when the greatest demand is to maintain morale among staff worried most about their own jobs and futures. If ever there was a time for those in the public sector to be working together to ensure the most efficient use of its budgets, surely this is it, yet progress on community budgeting, known by the previous Government as Total Place, seems to have ground to a halt—indeed, if it ever really started.

It may be understandable that, in times such as these, organisations become even more protective of their own budgets, but that is manifestly not in the public interest. All central government departments should take the lead in this and require their local bodies, where appropriate, to do the same. It is the responsibility of Ministers individually and collectively to make this happen.

As I have said, councils already do a lot to promote economic growth, working in partnership with business, the third sector and other parts of the public sector, but they are ambitious to do more. City deals with the core cities are very welcome, even if distractions such as elections and referendums have made slower progress than some of us would wish, but we need to do more and to do it faster so as to establish “local growth deals” in areas beyond just the core cities.

I referred earlier to some of the challenges facing local government, yet I take heart that, throughout history, it has been the times of greatest challenge that have produced the greatest change and innovation. I remain optimistic.

10.55 pm

Lord Gardiner of Kimble: My Lords, it has been suggested adversely that the Queen’s Speech was light in its number of Bills. I take a contrary view. Over the years, Parliament has legislated too often and too much; yet I am persuaded that the Groceries Code Adjudicator Bill has now become necessary so that suppliers and primary producers are treated fairly and the long-term interests of consumers are safeguarded. It cannot be in the public interest for our dairy farming sector to decline in the way that it has. In saying so, I declare my farming interest, my membership of the National Farmers’ Union and my executive directorship of the Countryside Alliance.

Rural-based businesses cannot compete without fast and reliable broadband and mobile coverage. It would be churlish not to congratulate Her Majesty’s Government on their determination to address this by committing to 90% super-fast broadband coverage of the United Kingdom by 2015. I fear the remaining 10% is likely to be in rural areas. To address this, Defra’s £20 million rural community broadband fund is now open for applications from the most remote communities and is most welcome. Many communities are working together to find solutions.
The reasons given for broadband dissatisfaction in rural areas relate to speed, reliability and value. Many rural towns and villages do not benefit from the level of competition in broadband provision that is common in urban areas. In the most remote parts of the country, therefore, the situation is even more acute. The National Farmers’ Union ran a poll on broadband access in rural areas and the results indicated that about 40% of respondents could not get broadband at all, while 90% of those who could get broadband access did not have a reliable connection. There is much more to do.

I also refer to mobile telephone coverage, which is, to say the least, patchy. My own experience in rural Suffolk is that the best reception that I can obtain is if I climb one of the apple trees, which I do during the pruning and picking time of year. To be serious, this lack of coverage hampers rural business opportunities. The creation of small businesses is crucial to our country’s economic prospects, and effective broadband and mobile telephone connections are essential.

The rural economy turns over £300 billion each year and employs 5.5 million people. Farming remains at its core in producing more than half our food domestically and maintaining the outstanding and diverse countryside that underpins tourism, which itself provides business opportunities. We must value the countryside; we expect a great deal from it.

I was brought up in a family where buying British food was a matter of course. Our food here is produced to the highest standards. We have set, via regulations, these higher standards for environmental and welfare reasons, but they come at a cost. The burden of regulation has become more cumulative and demanding on British farmers; the Macdonald review into the farming regulation task force established by this Government was not before time. Regulation has imposed higher costs upon the British farmer. In turn, this should mean that the public sector in particular should give a lead.

Despite government buying standards, public institutions are not buying as much British food as they could or should. Each year, the public sector spends close to £1 billion buying food, yet in local education authorities only about 35% know the country of origin of the food they serve school pupils. When it comes to hospitals, only 14% of NHS trusts in Britain know the origins of the food they are serving to patients. I therefore urge decision-makers to look more favourably towards local producers to fulfil their food needs. They will no doubt respond that this will cost more, but if we include in the equation the potential reduction in food miles and carbon emissions, and most importantly the high quality that we require from British produce, it all makes sense.

Only last week, the Prime Minister said that if we care about eating food produced to the highest standards in the world, we need to buy British. That is something that all of us should do more of. Will my noble friend the Minister therefore confirm the importance and value of the British agricultural sector, ensuring that it is recognised and that we have food security at home as a matter of public policy, and that the Government will foster the climate in which small and large businesses, whether in urban or rural areas, can prosper and grow so that our great nation’s economic stability can be restored?

11.01 pm

Lord Davies of Oldham: My Lords, this has been a fascinating debate which has been hampered by the fact that although it began with a concentration on the economy—the House will not be surprised that I intend to direct a great deal of my remarks to the advocacy of the amendment moved by my noble friend—and although the economy was bound to dominate the debate, we had six other subjects to consider. Although they were somewhat late in getting under way on the agenda, they did not in any way receive short shrift once addressed by the noble Lords who were concerned with those issues. In response to the debate, therefore, the great danger is that I could make a speech which would take us well past midnight, whereas the Minister is aiming to finish well before.

I must first congratulate the two maiden speakers. The noble Lord, Lord Ashton of Hyde, had to withstand a most stimulating introduction from my noble friend Lord Myners concerning who he was. When he began his maiden speech, his response was of sufficient vigour to show that he is going to enjoy himself in his contributions in this House in the future. We particularly appreciated the points that he had to make about regulatory regimes.

The right reverend Prelate the Bishop of Durham made a most impressive speech. Of course, we all envy him for both the city in which he lives and the cathedral which he has as his major location, but what we admired today was the seriousness of the contribution that he made on the economy. How welcome that was. If there is one obvious criticism of this place which gives rise to the demands for an elected House, it is inevitably that we are geographically limited. We have an overwhelming south-east concentration: a mere smattering of voices is heard from across the United Kingdom as a whole, and the north-east is not excessively represented in our contributions. The noble Lord, Lord Bates, will jump up and correct me in a moment but he knows what I mean when, at times, even he has been a lone voice. It is very welcome therefore that the right reverend Prelate can make a contribution from that dimension.

If the House will forgive me, I will address one or two of the other issues next. My main role for the Opposition is in transport and this debate says that it is about transport. Several contributions were made that were of particular and striking interest on those issues—not least, the significance of transport as the basis for the important infrastructure of the economy. It is also an area in which we could accelerate investment. The case which the Opposition are putting is the necessity for getting people back to work on infrastructure projects, and where those can be accelerated and brought forward, they ought to be. That is an important dimension, which is why I was grateful to the noble Lord, Lord Bradshaw, for his argument about increasing electrification for freight travel. I was grateful to the noble Baroness, Lady Scott of Needham Market, who talked about
investment in roads. She is on pretty thin ice—not that the ice is always thin on roads—when she raises the subject of road charging. I see no indication from the Government that their radical thoughts have gone that far yet. However, she is of course right that we need to look at investment in roads, not least at just keeping the present road structure maintained satisfactorily after the ravages of recent months.

The noble Lord, Lord Patten, said that we should bring forward the HS2 rail project as rapidly as we can. I say to the Government—this is not the first time that I have done so—that we in the Opposition are concerned about aviation policy. With every month that goes by we are losing out on international competitiveness because of our lack of airport capacity. We have said to the Government that we are quite prepared to discuss with them ways in which we can have a joint approach to a solution to this issue because of its great significance to the nation. All I say is that we are now faced with an exceptional degree of prevarication. I am grateful to those voices which have today emphasised that the Government should get a move on. As those voices have come from the Government’s side, that has given me even greater encouragement.

The enormously important issue of energy also had a fair airing in this debate. We have got to get our energy policy right. Of course, there were the inevitable collisions. The noble Lord, Lord Crickhowell, talked about nuclear energy. My noble friend Lady Worthington of course has a great deal to say about nuclear power and how we must ensure that we reduce carbon emissions from our energy sources. However, there are enormous costs involved in nuclear power. We all know that. There have been heavy costs in the past, and we are almost starting from scratch on the next stage.

I was grateful to the noble Lord, Lord Rowe-Beddoe, who introduced the issue of the Severn barrage. He knows that the issue has been tested and costed. That is a real problem, but I am grateful to him for highlighting that we need to look at green energy. It is quite clear that we cannot rely on fossil fuels for the future and then meet our emissions targets.

The main subject of the debate was inevitably the economy. My noble friend Lady Royall, in moving the amendment, identified what we regard as a clear record of the failings of this Government. The noble Lord, Lord Higgins, even indicated that he did not think much of the process by which crucial Budget decisions had been taken, particularly the extent to which Parliament had not been treated with the respect that it ought to have been in the Budget’s presentation. I agree with him entirely on that. The leaking prior to the Queen’s Speech itself was similarly unfortunate. I hope that we will not have those difficulties again.

Of course the noble Lord, Lord Higgins, did not associate himself with the more fundamental point that we are concerned with. Two years ago the Government set themselves a series of targets that they set out to achieve through various strategies such as Project Merlin and the banks’ position, about which we hear very little these days, and the whole question of being able to reduce the debt within a set period of time, a target from which they are already resiling.

Crucially, the price of the policy that the Government are inflicting on the nation is clearly unacceptable. Austerity is proving to be unacceptable in a range of countries that have given people a chance to have a voice in elections, such as Greece and France. With regard to local government in the UK—the noble Lord, Lord Tope, made a rather late entry into the debate—one aspect is that the cuts already enforced on local authorities have certainly produced a reaction from the electorate.

A short while ago, we ought to have set storm signals for the Government about the programme and policy that they are pursuing. One of the indicators of that in this debate is that, in addition to the trenchant criticism that the Government will have expected from my noble friends Lord Myners, Lord Haskel, Lord Whitty and Lord Hanworth, it came from the Cross Benches too. It was from the noble Lord, Lord Blunkett, that the first onslaught came, and an extremely cogent and straightforward attack followed from the noble Lord, Lord Low. The analysis of the noble Lord, Lord Skidelsky, identified for the Government the fact that their position is untenable.

I noticed that reference was made to the British motor car industry and how we should be delighted at its recent figures. I take delight in those figures but I have a little difficulty with it being called the “British” motor car industry. I understand that it is a car industry that is in Britain, but of course the industry itself is Japanese. I make this obvious point. In another society, the car industry was saved by government action. If you go anywhere near Detroit or Michigan, you will now that the state can act effectively to safeguard even an industry in the most parlous position. That industry is now making profits and has made a significant recovery. I would be glad if the Minister indicated that the same degree of recovery has been occasioned through successful government support in our society.

The noble Baroness, Lady Noakes, with whom from time to time I crossed swords in our previous incarnations in this House, asked me whether I had addressed myself to the question of the additional borrowing that would be implicit in the strategy that we advocate. The additional borrowing that we would be involved with would be quite limited in comparison to the significant losses of productive capacity represented by the policy pursued by this Government. The fact that we have so many assets underemployed and so many people unemployed is a massive loss. It will take us years to recover. The Government’s own projection—or, more accurately, that of the OBR—indicates that it will be many years before we recover the productive capacity that we had in 2008.

There is one change in the tenor of the Government’s argument now. When they are in difficulty, they are prone now to putting British economic policy in the context of the wider economies. We are faced with the fact that we are not completely in control of our own destinies and we have to take account of the pressures and weaknesses in the eurozone. We all recognise the validity of that argument. It does not quite address with the same force the international context. When the tsunami of the collapse of the international financial system occurred five years ago, according to them,
our problems were entirely due to the mismanagement of the British economy and there was no issue of context there.

We are quite confident that all sides except those entirely devoted to the Government’s cause—and there are signs of dissent within their ranks too—and independent opinion, particularly independent opinion as represented in this House by the Cross Benches, are indicating that the terms of trade have turned significantly against this Government. Certainly the wider nation outside these walls has already given a preliminary verdict on just what austerity represents. This debate, if it does nothing else, ought to call out to the Government at least to admit that there are aspects of the promises that they made only two short years ago that they will be totally unable to fulfil.

11.16 pm

The Commercial Secretary to the Treasury (Lord Sassoon): My Lords, we have had a wide-ranging and, as ever, insightful debate. I am particularly pleased to have heard the maiden speeches of the right reverend Prelate the Bishop of Durham and my noble friend Lord Ashton of Hyde. I know that the House will look forward to their future contributions if they are anything like as good as their contributions to this debate.

We have an unusual but, we have been reminded, not unprecedented amendment in the name of the noble Baroness, Lady Royall of Blaisdon. While I will respond to as many of the specific points raised in the debate as I can, I will therefore spend the bulk of my time explaining why the House should emphatically reject her somewhat misplaced amendment, which I ask her to withdraw once she has heard what I have to say. Having heard the masterly speech by my noble friend Lord Bates, I rather thought that the noble Baroness might have been minded to withdraw her amendment immediately, but I will have another go.

I welcome this opportunity to reinforce the Government’s commitment to securing our economic recovery and our determination to promote growth, create jobs, and return our country to prosperity. It is not an easy task. It is clear that your Lordships understand the difficult challenge we face to overcome the crippling legacy that was left to us by the previous Government, which included a decade of unbalanced growth that left the UK the most indebted country in the world, resulted in the most highly leveraged financial system of any major economy and meant that the UK entered the crisis with the highest structural deficit in the G7.

All that meant that when we got hit, we got hit the hardest. Our recession was among the deepest and our deficit was among the largest, which means that our challenge to deliver a sustainable recovery is among the greatest. The Government have a strategy to rid the economy of the burden of the debt left by the previous Government and to secure our stability at a time of ongoing European instability, as my noble friend Lord Higgins and other noble Lords reminded us. Our strategy puts private sector enterprise, ambition and innovation at the heart of our recovery. It has delivered over 630,000 new private sector jobs since we came into government, which is one and a half times the number of public sector jobs that have been lost.

Let me remind noble Lords that the Government came to office inheriting the largest peacetime deficit the country has ever faced and the largest forecast deficit in the G20, larger than that of many of those countries mired in the sovereign debt storm in the euro area. Two years ago, UK government bond yields were roughly equal to those in Spain and Italy. Because we took tough decisions to tackle the deficit, our rates have now fallen to near-record lows of less than 2%, while those in Spain and Italy have risen to well over 5%, a point made forcefully by my noble friend Lord MacGregor of Pulham Market. Record low interest rates help businesses to secure affordable loans, families to pay mortgages and the Government to finance the debt mountain with which we have been lumbered.

The solution to debt is not more debt. I do not need to take on the noble Lord, Lord Skidelsky, on this. The noble Lord, Lord Desai, and my noble friend Lady Wheatcroft have already done that for me. However, as my noble friend Lady Noakes pointed out, the Opposition would have us pile on yet more debt, suffer higher interest rates and place a bigger squeeze on families and living standards. Indeed, even this afternoon, the noble Baroness, Lady Royall of Blaisdon, advocated more government borrowing. Let me explain to the House that even a 1½% rise in effective mortgage rates would add £12 billion a year to household mortgage payments—around £1,000 on a typical £100,000 mortgage. We should make no mistake: it is the poorest and most disadvantaged, not the wealthiest, who are hit the hardest when a country loses control of its finances.

It is fair that we tackle our debts today so that we do not burden our children tomorrow. We should also ensure that we can continue—which we can—to provide high-quality public services and support to those who need it most, and provide those public services partly through refreshed local government, as my noble friend Lord Tøpe reminded us a short while ago.

We cannot and will not be complacent about tackling the deficit. We are sticking to our plans. Her Majesty’s gracious Speech reaffirmed that commitment. We will not jeopardise the fiscal credibility that is critical to delivering a sustainable recovery. It is only by securing a sustainable private sector recovery that we can help to restore and improve our living standards, support families and get people back into work. That is why this Government have set out ambitious plans to unleash private sector growth right across the UK. Those plans include more than 250 wide-ranging and ambitious economic reforms to lift the dead hand of the previous Government’s legacy from our businesses and entrepreneurs.

We are reducing corporation tax to 22% by 2014; cutting an uncompetitive and ineffective top rate of income tax; slashing the red tape that continues to suffocate our most entrepreneurial start-ups; overhauling our cumbersome planning rules to embed a presumption in favour of sustainable development; and setting out plans for some £250 billion of infrastructure investment, including the new green investment bank with an initial capitalisation of £3 billion. In answer to my
The Government are ensuring that our businesses have access to finance by securing £190 billion of new lending to UK companies in 2011 and providing SMEs with access to cheaper loans through the new national loan guarantee scheme. My noble friend Lord Northbrook questioned whether it was up and running. Indeed it is, as evidenced by the fact that Barclays and Lloyds have already issued bonds linked to the loans in the scheme.

As my noble friend Lord Caithness noted, securing a more resilient and sustainable financial sector through the banking reform Bill is another priority. It is a measure which, as my noble friend Lady Wilcox said earlier, will complete its passage in this Parliament. We also will increase the opportunities for businesses to capitalise on non-bank lending channels.

Across government, we are matching the endeavour of our businesses to restore growth across the UK. Through the enterprise and regulatory reform Bill, we are driving through regulatory reform, streamlining employment tribunals, boosting research and development through the catapult scheme as the noble Lord, Lord Rowe-Beddoe, pointed out one very challenging but potentially significant opportunity in delivering that ambition.

The Government are ensuring that our businesses not been able to determine whether they were British or foreign fennel but, either way, making sure that they are supplied through the supermarkets on proper terms is something which the new grocery adjudicator will bring.

In the enterprise area, I can assure my noble friend Lord Tugendhat that, again, as my noble friend Lady Wilcox explained in her speech, we will introduce provisions on directors’ pay in the enterprise Bill. In another important area of enterprise, I can assure my noble friend Lord Lexden that the ministerial working group on Northern Ireland is making good progress and will report this summer.

On rural affairs, we are supporting growth across all parts of the UK. I can absolutely assure my noble friend Lord Gardiner of Kimble that we take these issues very seriously. We are committing £530 million for rural broadband deployment by 2015 and creating rural growth networks to help overcome barriers to growth, such as poor infrastructure and mobile networks.

We are adopting the ecosystems approach, as my noble friend Lady Miller of Chithorne Domer noted, and will introduce reforms in the water sector, as noted by my noble friend Lady Parminter and the noble Lord, Lord Whitty, although I note that we are urged onwards by my noble friend.

I heard very clearly what the right reverend Prelate the Bishop of Hereford said about the importance and difficulties of the agricultural sector, which was also referred to by my noble friend Lady Byford, who again linked it to the importance of the grocery adjudicator.

On transport, we are introducing a Bill by the end of 2013 to secure powers to construct and operate the next phase of the high-speed rail network from London to the West Midlands. I learnt quite a number of things in areas of transport of which I did not know the fine detail until this evening. My noble friend Lord Brougham and Vaux rightly pointed out the difficulties in motor insurance—and now I understand the role that telematics and number plate issues will have as Ministers work both on the cost of insurance and on driving out uninsured vehicles from our roads.

The noble Viscount, Lord Simon, reminded us about high-speed issues, and that is noted. My noble friend Lord Bradshaw again reminded us of some important issues in the rail freight area. My noble friend Lady Scott of Needham Market talked interestingly about the possibilities for the local enterprise partnerships to promote local roads. She got a little head of commitments in some areas that I could give, but she was rightly challenging and reminded us of what can and must be addressed.

The global market is changing. Unlike our predecessors, we will make sure that the UK is not cut adrift. Over the last year alone, the value of UK goods exports to India grew by 40% and to China by over 20%. As my noble friend Lord Razzall pointed out, in the first quarter of this year the UK exported more cars than it imported for the first time since 1976. That was driven by strong demand from the US, Russia and China. The opportunities of course flow in both directions. The UK is now the number one destination for inward investment from some of the world’s largest investors,
I am very disappointed in the Minister’s reply, as, when he dealt with economic policy, he merely repeated the mantra that he has repeated so many times from that Dispatch Box: that the crisis is all the fault of the Labour Government. However, it is not all the fault of the Labour Government. Yes, when the noble Lord and his colleagues entered government, it was a very difficult time and we were in the middle of a deep financial crisis. However, it was a global financial crisis. In fact, the coalition inherited an economy that was on the path to recovery. It was growing at 2 per cent a year with a deficit plan in place that would have halved the deficit in four years. Instead of that we have unemployment, so the unemployed are not paying their taxes, there is no growth in the economy and the deficit is getting bigger. We now have a double-dip recession and the Minister and his colleagues blame it all on the eurozone. It is strange that they blame the current crisis on the eurozone. However, when they came into government, they said that the problem did not result from the global financial crisis but was our fault. That is all very strange.

I have to take issue with the Minister when he says that high-quality public services are among the big successes of this Government. The postcode lottery in social care is getting worse. Youth services up and down the country have been decimated. Libraries have been closed. School buildings are falling into disrepair and waiting lists are growing. The responsibilities of the state are being rolled back and the burdens are being placed on charities, which want to cope but are finding it more and more difficult to do so because they have so much on their shoulders. Therefore, I think it is a bit rich for the Minister to say that that is a priority.

The Minister also says that this Government will not cut the UK adrift. I am glad if the level of exports is getting better in some areas, and, as the noble Baroness, Lady O’Cathain, asked me to do, I celebrate the success of the motor industry. Clearly, it is very good for the people of the north-east and I hope that it will secure the future of the people in employment in Ellesmere Port. However, while we may not be cut adrift in our exports to India, I would say that we are cut adrift in our isolation in the European Union, and that saddens these Benches. The differences of opinion are clear. We believe that it is the young, the poorest and the most vulnerable in our society who are suffering, and most of the cuts have still not started to bite, as the noble Lord, Lord Razzall, pointed out.

There have been some very important speeches today, including of course that of the noble Lord, Lord Skidelsky, with whom I agree. In his wise contribution he said that it is better to put people and plant to work rather than to destroy them. I certainly agree with that. I also certainly agreed with the right reverend Prelate the Bishop of Durham, who said that confidence in the economy comes from action, not exhortation, and that it comes from cranes and scaffolding. Where are the cranes, where is the scaffolding, where is the infrastructure investment and where are the jobs?

I am very conscious of the late hour. I am very glad to have tabled the amendment because it focuses on the priorities that we believe should have been in the
Government’s legislative programme. Looking at the result of the local elections and the polls, it is clear that they are also the priorities of the British people. Like us, they want this Government to change course. As I said, I am conscious of the lateness of the hour, so I shall not press my amendment to a vote. With that, I beg leave to withdraw the amendment.

Amendment withdrawn.

Debate adjourned until tomorrow.

House adjourned at 11.41 pm.
Written Statements

Wednesday 16 May 2012

Aviation: Airport Charges
Statement

Earl Attlee: My right honourable friend the Secretary of State for Transport (Justine Greening) has made the following Ministerial Statement.

Today, I am issuing directions under Section 40(9) of the Airports Act 1986 to the Civil Aviation Authority (CAA) not to make references to the Competition Commission (CC) in respect of mandatory airport charges conditions for Heathrow, Gatwick and Stansted airports. These references would have been made in the context of the economic regulation of these airports under the 1986 Act before the expiry of their current price controls on 31 March 2014.

The Civil Aviation Bill is proposing to remove the Competition Commission reference from the price review process permanently and replace it with a licensing and appeals regime. This will enable proportionate and accountable regulation, and will give airlines and airports a new right of appeal which the aviation sector has not had before—modernising the airport regulatory framework and putting in place a more flexible and responsive regime for the future.

The Civil Aviation Bill has already made significant progress through Parliament, having successfully concluded Report stage in the House of Commons, and will shortly continue its passage through the House of Lords.

In light of this, it would be unrealistic to ignore that a new regime is on the near horizon that will form the basis for the next regulatory settlement due to come into effect on 1 April 2014. Progressing with the mandatory reference under the existing legislation is likely to introduce unnecessary costs and uncertainty into the process for the CAA, the Competition Commission and the aviation sector in a manner that would undermine the Government’s objective of reducing unnecessary regulation. I have therefore decided to remove the mandatory Competition Commission references for price controls at these airports now.

The directions that I am issuing follow an informal consultation between 19 January and 29 February 2012 with industry and careful consideration of their responses. I am also publishing today my letter to industry setting out my response to the issues raised in that consultation and my letter to the CAA.

Crime: Traffic Offences
Statement

The Minister of State, Home Office (Lord Henley): My right honourable friend the Secretary of State for the Home Department (Theresa May) has today made the following Written Ministerial Statement.

I am announcing proposals to simplify and extend the processes where the police prosecute specified offences, which currently cover a range of low level traffic cases, to reduce unnecessary bureaucracy and ensure swifter justice.

Currently, the police have the power to prosecute uncontested, low-level traffic offences such as speeding, driving without insurance, or failing to produce a driving licence.

As part of the wider reform of the criminal justice system, I have, with the Attorney-General, been examining the procedures in these cases in order to identify ways of removing duplication, giving the police greater discretion and delivering faster justice.

We will introduce changes that enable the police to continue to prosecute these cases when there is no plea or the defendant fails to appear, avoiding unnecessary adjournments and the handing of cases over to the Crown Prosecution Service.

We are working with police forces and prosecution teams on the details of the process. I will also extend this approach to a wider range of low-level offences for which this simpler police-led model would be appropriate and will update Parliament on which offences this will cover in due course.

Sierra Leone
Statement

The Minister of State, Foreign and Commonwealth Office (Lord Howell of Guildford): My honourable friend the Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Henry Bellingham) has made the following Written Ministerial Statement.

On 26 April the Special Court for Sierra Leone (SCSL) handed down its judgment against Charles Taylor, former President of Liberia. The SCSL found Taylor guilty of all 11 charges against him, including crimes against humanity and war crimes. The judges were unanimous in concluding that Taylor aided, abetted and helped plan the commission of all these crimes through the provision of significant operational, military and moral support.

This verdict is a landmark judgment in the fight against impunity. Taylor is the first head of state since Nuremburg to be found guilty by an international tribunal for crimes against humanity and war crimes. It is a salient reminder of the importance of accountability, especially in the current climate of events in Syria. We hope that this judgment provides some comfort to the victims whose horrific experiences were recorded by the court.

My right honourable friend the Foreign Secretary led international support for the verdict with his press statement on 26 April. Prosecutor Brenda Hollis applauded the verdict and noted it provided some measure of justice to the victims of Taylor's crimes. In her words this verdict was also a reminder that “no one was above the law”. The UN Security Council also released a statement reinforcing the significance of the verdict.

The International Tribunals (Sierra Leone) Act 2007, which allows for SCSL sentences to be enforced here, was passed with wide cross-party support in June 2007. During the passage of the Bill it was made clear, and accepted by the House, that Charles Taylor would serve his sentence in the UK and that Her Majesty’s Government would meet the associated costs directly.
The costs of sentence enforcement are better controlled if they are managed and paid for directly by the country that is enforcing the sentence.

Taylor will be sentenced on 30 May. The verdict and sentence will be subject to an appeal. The plenary of judges will meet soon to finalise an appeals timetable, which is likely to take around 12 months to complete. This will have financial implications as the court already has a financial shortfall for 2012 despite the UK’s recent contribution of £600,000 and the UN subvention grant agreed late last year. We will continue to encourage other states to contribute to the court, and to consider making voluntary contributions to fund the Residual Special Court for Sierra Leone, to ensure its legacy is protected.

If there is no appeal, or if Taylor is unsuccessful in his appeal, the President of the SCSL is expected to ask the UK to enforce his sentence. The Foreign and Commonwealth Office will continue to work with UK Border Agency and the Ministry of Justice, National Offender Management Service to ensure that all necessary arrangements are in place for any transfer to the UK and detention on arrival.
The Parliamentary Under-Secretary of State, Department of Health (Earl Howe): This information is not held by the department. The noble Lord may wish to consider contacting individual ambulance services to request this information.

Arms Export

Question

As by Lord Hylton

To ask Her Majesty’s Government what was the value of British arms and military equipment approved for export to each state in the Middle East and North Africa, in each of the past three years.

[HL8]

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills (Baroness Wilcox): Information on arms exports is published in the annual and quarterly reports on Strategic Export Controls. These reports contain detailed information on export licences issued, refused or revoked, by destination, including the overall value, type (eg military, other) and a summary of the items covered by these licences. They are available to view at: https://www.exportcontroldb.bis.gov.uk/ (then click on the “Published Reports” link from the homepage).

Currently this includes information up to 31 December 2011. Information covering 1 January 2012-31 March 2012 will be published in July 2012.

Furthermore users of the website can register and create their own bespoke reports, with a minimum 30-day search period and also narrow searches by types of goods, as well as countries of interest.

Fire Safety

Question

As by Lord Harrison

To ask Her Majesty’s Government what discussions they have had with fire and rescue services in the United Kingdom about reducing the number of domestic and commercial fires as a result of faulty mains wiring.

[HL3]

The Minister of State, Department for Business, Innovation and Skills & Foreign and Commonwealth Office (Lord Green of Hurstpierpoint): Greece was admitted to the Eurozone on 1 January 2001.

(1) UK exports of goods and services to Greece in 2000 were £2,066 million.

(2) UK imports of goods and services from Greece in 2000 were £2,069 million.

Source: UK Balance of Payments (Pink Book)
**UK Honours**  
*Question*  
*Asked by Lord Berkeley*

To ask Her Majesty’s Government whether they consider that it is appropriate for honours to continue to refer to the British Empire.  

**Lord Wallace of Saltaire:** Yes. This tradition remembers the British Empire which was the largest empire in history and for over a century the predominant global power. King George V founded the Order of the British Empire in 1917 to recognise those who had fought in the First World War. Today there are over 100,000 living members of the Order worldwide including the noble Lord himself.

**Water Supply: Pipe Leakage**  
*Question*  
*Asked by Lord Lester of Herne Hill*

To ask Her Majesty’s Government what requirements there are for water companies to reduce leakages by 2015.

**The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Taylor of Holbeach):** Between 2009-10 and 2014-15, the water companies in England and Wales have targets to reduce leakage by a total of 97 million litres per day.
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