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**HOUSE OF COMMONS
OFFICIAL REPORT**

**PARLIAMENTARY
DEBATES**

(HANSARD)

Thursday 20 November 2014

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The House met at half-past Nine o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

BUSINESS, INNOVATION AND SKILLS

The Secretary of State was asked—

Manufacturing

1. **John Stevenson** (Carlisle) (Con): What steps he is taking to support the manufacturing sector. [906133]

The Secretary of State for Business, Innovation and Skills (Vince Cable): Our industrial strategy sets the long-term direction needed to give manufacturers confidence to invest and compete internationally. We are encouraging technology commercialisation, exports, investment, improving skills, and building UK supply chains. I am sure my hon. Friend will join me in congratulating Cumbria local enterprise partnership, which has been awarded £5 million under regional growth fund round 3 to support specialist manufacturers.

John Stevenson: A flourishing sawmill on the edge of Carlisle employs 120 people. Those in the timber industry are concerned that they are not included in the proposed relief scheme for the indirect cost of renewables, despite being accepted as an energy-intensive industry under the climate change agreement. That could give a competitive advantage to imported timber. Will the Minister look at the industry's case and report back to me?

Vince Cable: I will certainly look at that—indeed, we already are. The hon. Gentleman will be aware of the more general issue of energy-intensive industries, and we have sought to achieve relief through compensation under the European Union emissions trading system and the carbon price floor. We have recently consulted on how to extend that relief in respect of renewable obligations and the feed-in tariff. That consultation has just ended and will incorporate industries, depending on their energy intensity and trading capacity. We will announce the results shortly.

Mr Frank Roy (Motherwell and Wishaw) (Lab): The steel industry is vital to manufacturing in the United Kingdom. Will the Secretary of State take the opportunity to tell the House exactly what has been happening with Tata Steel's proposed sale of its long products division?

Vince Cable: Members across the House are concerned about the future of the long products division in Tata Steel. As the hon. Gentleman may know, I have had discussions with Cyrus Mistry in India, chief executive of Tata, and I recently met Mr Klesch, who has an interest in taking on that business. We are in close touch with Members across the House on the progress of those discussions, and I will report back when developments arise.

Mark Pritchard (The Wrekin) (Con): While the Secretary of State is right and the Government have set out a national industrial strategy, will he put on record his praise for the job creators, innovators, and entrepreneurs in Shropshire who have created more than 1,000 jobs in the last year in agri-engineering, food manufacturing, car parts manufacturing, and the manufacturing that is being brought back from Europe and put into Shropshire?

Vince Cable: The hon. Gentleman describes a powerful trend. I am delighted that it is operating in his constituency and I congratulate the firms concerned. He refers to the process of onshoring production that went overseas, and I believe that around one in 10 British manufacturers are now considering that process. I have recently come back from India where I met a company called Amtek that is bringing car supply chain and production back to the UK—it may even be in the hon. Gentleman's county.

Mr Iain Wright (Hartlepool) (Lab): My hon. Friend the Member for Motherwell and Wishaw (Mr Roy) has already mentioned the importance of the UK steel industry, which underpins much of our manufacturing industry. Is the Secretary of State also aware of cheap imported steel being dumped into domestic markets, failing British standards and raising question marks about quality, traceability and reliability? Reinforcing steel used in the UK is certified under the CARES scheme. Is he confident that that scheme is working as well as it could be? What steps is he taking to ensure that such steel is tested, compliant with British standards, traceable and safe?

Vince Cable: That issue has been brought to my attention by British producers and it is a legitimate question. I am in the middle of an inquiry into whether the testing process operates effectively and takes proper account of different standards between UK producers and those overseas. We have no ideological view on anti-dumping. It is a matter of proof and fact and operates through the European process, as the hon. Gentleman knows.

Small Businesses

2. **Robert Halfon** (Harlow) (Con): What recent support he has provided to small businesses. [906134]

The Minister for Business and Enterprise (Matthew Hancock): The British Business Bank is now fully operational and has facilitated a total of £2.3 billion of new lending and investment to more than 21,000 businesses. The growth accelerator scheme supports just under 20,000 firms, and 22,600 start-up loans have been drawn

down, totalling more than £199 million. More than that, we support small businesses by delivering on our long-term economic plan.

Robert Halfon: Is my right hon. Friend aware that in 2012 research by Experian for the BBC said that Harlow had the highest rate of business growth in the whole of the United Kingdom? I am holding my own business awards to honour some of Harlow's best businesses. We have had more than 300 nominations and I will be announcing the result on small business Saturday. Will he congratulate the businesses that have been nominated and recognise the incredible contribution they have made to Harlow's community?

Matthew Hancock: I do congratulate the businesses that have been nominated and all the businesses that have contributed to a fall in unemployment in Harlow of more than 40% in the past year. My hon. Friend's jobs fairs have contributed to that and I have no doubt that his support for small business Saturday, which all Members should support, will help to ensure that businesses can thrive in Harlow and elsewhere.

Mr Iain McKenzie (Inverclyde) (Lab): Under this Government, small businesses have been hit by a £1,500 rise in business rates. With so many of our small businesses up and down the country on our high streets under pressure, especially at this time of year, why will the Secretary of State and the Minister not back Labour's plans to cut and freeze business rates to help our small firms?

Matthew Hancock: We have gone further than that: we have cut by £1,000 business rates for all small retail premises. It is crucial to ensure that business rates work in the long term. They raise a lot of revenue and we have to be aware of that fact. There will be a review in the run-up to 2017, when there will be a planned revaluation. I understand the impact of business rates and we have to ensure that they work better.

Caroline Dinenage (Gosport) (Con): Access to banking support is vital for small businesses, yet in my constituency NatWest is closing its Stubbington branch and later this month HSBC will close the last bank in Lee-on-Solent. Will the Minister urge those banks to do more to keep these important local services open?

Matthew Hancock: Yes, of course. The changes in banking and the way that most people bank—their use of technology—has an impact on how banks operate. Having visited Stubbington and Lee-on-Solent with my hon. Friend only this week, I know how important these issues are locally. Ultimately, this is a commercial matter for the banks, but we have to ensure that banking services are available in all communities, not least to make sure that vulnerable people have access to services if they cannot use the technology.

David Wright (Telford) (Lab): Access to start-up finance is clearly very important for small businesses, but businesses also need growth funding. They need to be able to consolidate and expand their businesses. Businesses in Telford often tell me that they want to take the next step forward but find it difficult to secure finance. What more can the Government do to support them?

Matthew Hancock: The hon. Gentleman is absolutely right. The 22,000 firms that have received start-up loans have been supported, but the new British Business Bank, something that we have not had before, has supported £2.3 billion of financing, a lot of it to the scale-up firms that he is talking about. Ultimately, we need a strong banking system. After the chaos the banking system was left in, we have been turning that around with stronger regulation. Banking balance sheets are starting to improve and move in the right direction, but it has taken an awful long time to turn the mess around.

Toby Perkins (Chesterfield) (Lab): As we head towards small business Saturday, which enjoys the support of the entire House, one group of small businesses that will be feeling better supported and looking forward with more optimism are the nation's tied pub tenants. The run-up to Tuesday's vote saw the Government mired in confusion, as last-minute changes and amendments were proposed and dropped with alarming speed. Will the Minister tell the House what steps he will be taking to ensure that this important change is delivered in a way that works for everyone who cares about Britain's great pubs?

Matthew Hancock: We are considering and reflecting on the will of the House as it was expressed this week, but be in no doubt that it is this Government who support pubs and publicans more than possibly any Government before: the first cut in beer duty in decades, two cuts in beer duty and support through ensuring there is community support for pubs. We will not rest in our support for British pubs.

Net Trade

3. **Heidi Alexander (Lewisham East) (Lab):** What estimate he has made of the contribution net trade will make to GDP over the next four years. [906135]

The Secretary of State for Business, Innovation and Skills (Vince Cable): In March, the Office for Budget Responsibility expected net trade to make a roughly neutral contribution to growth until 2018. However, since GDP data methodology has recently been revised we will not have a fully updated view until December, with the OBR's new forecast.

Heidi Alexander: Recent statistics from the Office for National Statistics show that the UK's trade deficit has risen to £2.8 billion in September, up from £1.8 billion in the previous month. In the light of that, will the Secretary of State confirm that since the Government's direct loan facility was launched a year ago to help businesses export, only one firm has benefited from such support since it was announced?

Vince Cable: The hon. Lady is horribly out of date; dozens of companies are now benefiting from that new suite of credit facilities, which is one of a range of activities we are putting in place to support British exporters. When we entered office, about 27,000 companies were helped by UK Trade & Investment, but that is now up to 50,000, and the impact is already being felt in the big emerging markets, such as China and India, where there is very rapid export growth.

Ian Swales (Redcar) (LD): The Investment Management Association told me last week that Asian investors were increasingly looking to mainland Europe because of the uncertainty over the UK's membership of the European single market. What effect will this uncertainty have on the Secretary of State's trade forecasts?

Vince Cable: My hon. Friend is right to stress the importance of inward investment to job growth in the UK. Indeed, many manufacturers and banks in the City of London have made it clear that the expectation of being able to export to the European single market is fundamental to their decision to locate here.

Ian Austin (Dudley North) (Lab): Will the Secretary of State welcome the contribution that will be made to trade by the Ladder for the Black Country, a brilliant apprenticeship scheme established by the Vine Trust and the *Express and Star*, which is working with hundreds of businesses to provide thousands of apprenticeships and give young people the jobs and skills they need to develop careers? Is this not exactly the sort of scheme that should be copied nationwide?

Vince Cable: On the basis of that quick précis, it sounds as if it is. As the hon. Gentleman knows, we have seen a rapid expansion of apprenticeships, which we are very proud of, as they are fundamental to meeting the demand for skills, particularly higher skills. I would be interested to hear more about his local programme and to see what we can do to help.

Andrew Jones (Harrogate and Knaresborough) (Con): Will the Secretary of State join me in welcoming the recent news that record amounts of British food and drink are now being exported—something that I was doing before I came to his place—and that great British food is now available in more than 150 countries?

Vince Cable: Yes, it is often forgotten when we talk about manufacturers that the food and drinks sector is the largest by a considerable measure. It is a considerable success and we are supporting it, not just through the work of UKTI, but through our work on agri-tech industries, innovation and the skills strategy.

Ian Murray (Edinburgh South) (Lab): The Government promised an export-led recovery, but as my hon. Friend the Member for Lewisham East (Heidi Alexander) mentioned, the trade gap is widening and exports are going backwards. Why, then, have the Government, mid-year, slashed the budget for the trade show access programme that helps small businesses new to exporting or new to markets gain access to international trade shows? I have had sight of a private letter from the trade association, the Sponsors Alliance, to the Prime Minister asking him to reverse this dreadful decision. Will the Secretary of State support this plea from small businesses and not slash the funding they desperately need to support their exporting activities?

Vince Cable: First, there is no question of the budget being slashed; it has been substantially increased, and the question is how much it should have been increased by. I am aware of the concerns of trade associations,

however, and have met them and discussed the matter with them, and we are endeavouring to ensure they have the maximum support.

Mr Speaker: I call Mr Chris Ruane. He is not here; therefore, the grouping with Question 12 falls, and questioner 12 will have to come in at that point.

Minimum Wage/Living Wage

5. **Diana Johnson** (Kingston upon Hull North) (Lab): What steps the Government are taking to (a) enforce payment of the minimum wage and (b) encourage firms to pay the living wage. [906137]

9. **Mr William Bain** (Glasgow North East) (Lab): What steps the Government are taking to (a) enforce payment of the minimum wage and (b) encourage firms to pay the living wage. [906142]

16. **Ann McKechnin** (Glasgow North) (Lab): What steps the Government are taking to (a) enforce payment of the minimum wage and (b) encourage firms to pay the living wage. [906149]

20. **Julie Hilling** (Bolton West) (Lab): What steps the Government are taking to (a) enforce payment of the minimum wage and (b) encourage firms to pay the living wage. [906155]

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Jo Swinson): The Government are taking tough action on employers that break minimum wage law. We have made it simpler to name and shame employers that do not pay the national minimum wage properly and increased the financial penalty that employers pay for breaking the law. The Government will always support and encourage businesses to pay higher than the national minimum wage, where they can.

Diana Johnson: The *Sunday Mirror* has reported that Greencore, which has a factory in Hull, is recruiting 300 Hungarians to undercut local jobseekers and is resisting a 6p an hour pay increase. It is part of a growing trend of low-paid work that removes people from the official jobless figures, but not from poverty. An estimated 300,000 workers earn less than the national minimum wage. How can Ministers claim to be serious about promoting the living wage, when they fail to enforce the minimum wage properly?

Jo Swinson: The hon. Lady is right to highlight the importance of businesses and employers paying the national minimum wage properly. We absolutely agree. We have invested extra money in enforcement and are helping more employees. Indeed, last year, £4.6 million of arrears were secured for workers who had not been properly paid. We have also increased the penalties and the resources to enforce the penalties, and we are now naming and shaming companies that offend.

Mr Bain: Two weeks ago while campaigning in my own constituency for the living wage, I met a mother who told me that her son had been offered part-time work paying at just over £2 an hour. With the Office for National Statistics showing yesterday that the proportion of jobs not paying the minimum wage has increased

under this Government, does the Minister not regret failing to adopt the proposal from the Opposition to increase the fine for non-payment to £50,000 so that we could have proper enforcement of the minimum wage in this country?

Jo Swinson: The key is not only increasing the fine to £20,000, but enabling that fine to be levied per worker rather than per employer. The fine, which is of course linked to the amount of arrears, covers all but three cases found over the last year. None of the others would have reached the £20,000 maximum. We will be fining employers more when they break the law because those responsible employers who abide by the law deserve to know that those who break the law will be properly punished.

Ann McKechin: Seatruck, which operates domestic ferries between Aberdeen and Lerwick and Ullapool and Stornoway, pays its Estonian national seafarers as little as £3.66 an hour, while it benefits at the same time from the tonnage tax scheme operated by this Government. Is it not about time that we tackled the people who are undermining the national minimum wage, particularly for seafarers, by ensuring that regulations are tough enough to capture this group of people?

Jo Swinson: The hon. Lady raises the issue of seafarers, which has been raised by other hon. Members. I know that my predecessor, when I was on maternity leave, was dealing with this issue, and we continue to look at it. I reiterate to all hon. Members who have constituents concerned about not being paid the national minimum wage, that Her Majesty's Revenue and Customs will investigate every single complaint made to the pay and work rights helpline on 0800 917 2368. If people will please report instances of where the national minimum wage is not properly being paid, we can investigate and enforce it to ensure that people get what they deserve.

Mr Speaker: Wow! It is always useful to have a bit of information.

Julie Hilling (Bolton West) (Lab): When many large employers are making vast profits but charging the taxpayer by paying their employees the minimum wage and when families are hit by the cost of living crisis, why will the Minister not follow Labour's lead and our plans to incentivise employers to pay a living wage through "make work pay" contracts?

Jo Swinson: I do not think the proposals put forward by the Opposition stack up. Providing only a small incentive for only a 12-month period is unlikely to change behaviour, but it is important to encourage employers to pay more than the minimum wage where they can. It is important that we are cutting income tax by £800 for low and middle earners so that they can keep more of their hard-earned cash. That is why this Government will continue to build the stronger economy we need so that people can properly prosper.

Export Support Services

6. **Henry Smith (Crawley) (Con):** What steps he is taking to raise awareness among businesses of export support services. [906138]

The Minister for Business and Enterprise (Matthew Hancock): United Kingdom Trade & Investment uses the brilliant "Exporting is GREAT" marketing campaign to raise awareness of the benefits of exporting and to encourage small businesses to export. Last week was UKTI's national exporting week. Over 150 UKTI trade officers from posts around the world provided export advice to more than 5,000 companies.

Henry Smith: Since this Government came to office, UKTI has done a lot to support companies in my constituency to export, but what specific assistance can be given to the smallest firms, such as the members of Crawley federation of small businesses, to give them the confidence to make the most of lucrative export markets?

Matthew Hancock: I entirely agree with my hon. Friend about the goal of making sure that exports are done not only by big multinationals but by small businesses wherever they can. Some 89% of UKTI customers are small and medium-sized enterprises and nearly one in five is new to exporting or has been exporting for less than a year. I think we should do all we can to encourage this trend.

Apprenticeships

7. **Mr Henry Bellingham (North West Norfolk) (Con):** When he next plans to meet the Construction Industry Training Board to discuss apprenticeships. [906140]

The Minister for Skills and Equalities (Nick Boles): I plan to meet the Construction Industry Training Board to discuss apprenticeships in December.

Mr Bellingham: Is the Minister aware that the Construction Industry Training Board and the National Construction college in my constituency have trained a record number of apprentices over the last year? Is he also aware that the current governing statute is not fit for purpose and needs to be updated so that it can enter into joint ventures with both the public and private sectors, training even more apprentices? Will he look at this important reform and have it on the agenda when he meets the chief executive officer, the chairman and hopefully me as well?

Nick Boles: As my hon. Friend knows, a triennial review of the training board is currently drawing to a conclusion. The issue that he raised is certainly one of those that will be considered, and one which I will discuss with the board's members, not least because my hon. Friend has drawn it to my attention so insistently.

Derek Twigg (Halton) (Lab): Will the Minister consider what more can be done to use and benefit smaller training providers such as Power in Partnership in my constituency? Such providers focus on helping young people who may not be attracted to a classroom-type environment into training and then into apprenticeships. Surely we can do more in this regard.

Nick Boles: I entirely agree. It is important for us to provide training opportunities through a range of organisations, including social enterprises, businesses and charities, as well as institutional further education colleges and the like. It is particularly important for us

to provide training that is linked to work, either through the new programme of traineeships developed by my predecessor, who is now Minister for Business and Enterprise, or through apprenticeships. If there is anything that I can do to help any specific institution in the hon. Gentleman's constituency, I shall be delighted to try to do it.

Mr Mike Weir (Angus) (SNP): Will the Minister speak to his colleagues at the Department for Work and Pensions about helping apprentices who are made redundant when a firm fails? A local training provider in my constituency has taken on apprentices who are in that position and is helping them through it, but is experiencing difficulties and is unable to give them any income. There seems to be a gap in the system.

Nick Boles: I met the Minister for Employment, my right hon. Friend the Member for Wirral West (Esther McVey), only yesterday to discuss a range of issues, and I should be happy to discuss that issue with her as well. There needs to be tight co-ordination between our two Departments, and we try to achieve it.

Student Loans

8. **Mr Adrian Bailey** (West Bromwich West) (Lab/Co-op): What recent estimate he has made of the resource accounting and budgeting charge on student loans. [906141]

The Minister for Universities, Science and Cities (Greg Clark): The most recent estimate of the resource accounting and budgeting charge is about 45%.

Mr Bailey: I thank the Minister for that admirably concise response.

On Monday, the Higher Education Commission published a report which effectively endorsed the statement in the report from the Business, Innovation and Skills Committee that the current finance system for higher education was unsustainable. The Government rejected the Select Committee's report. In the light of the overwhelming evidence backing the report, will the Minister tell us what he is going to do about this?

Greg Clark: I do not agree with that report. Our system of student finance is in rude health. The OECD reviewed higher education systems throughout the world, and concluded that the

"UK is...one of the few"

countries

"that has figured out a sustainable approach to higher education finance"

and that

"that investment...pays off for individuals and tax payers."

This year more students are going to university than ever before, and that would not have been possible without the reforms that we introduced.

Mr David Willetts (Havant) (Con): Does my hon. Friend agree that the resource accounting and budgeting charge is not a fixed cost, a cost that is being incurred today or public expenditure, but, essentially, a highly speculative forecast of what income tax receipts might be up to 2050? He is right: we have a system that is in

rude health, with more people applying to universities, more funds for universities, and more applications from low-income families.

Greg Clark: My right hon. Friend is absolutely right. We take a very cautious view of the RAB charge. The OECD is amazed that we take such a conservative view. For example, we take no account of the fiscal benefit that results from people paying more taxes because they earn more as a result of having a degree. The average salary of a non-graduate is £21,000, but the average salary of a graduate is £33,000. The graduate's salary means extra tax for the Treasury, but that is not taken into account. We are expanding student numbers, and we have a record number of students with the most disadvantaged backgrounds. It is a tribute to the work done by my right hon. Friend that we are able to say that.

Mr Liam Byrne (Birmingham, Hodge Hill) (Lab): The Institute for Fiscal Studies says that the system is going bust, the Select Committee says that the system is going bust, and the Higher Education Commission says that the system is going bust. When will the Minister get the message? Let me ask him about uncapping student numbers this year. We were promised that the ceiling would be removed from places this year, next year and the year after. Earlier in the week, when I asked the Minister how he would pay for that, I received the immortal answer:

"The Department...has indicated that it will not be possible to answer this question within the usual time period."

Will the Minister tell the House now how he will pay for lifting the ceiling on student numbers this year? If he cannot answer that question, we shall have to conclude that it is a case of "Never mind a long-term plan; he has no plan at all."

Greg Clark: First of all, the IFS did not say that the system was unsustainable. We have one of the best systems of student finance in the world, and it is achieving the results that we on this side of the House all want to see. I will give the right hon. Gentleman the answer to his question on how the removal of the cap is being paid for. The Treasury has allocated £550 million to pay for it, and it is fully funded. This has enabled us to implement the Robbins report, which was produced 50 years ago and recommended that anyone with the capability and desire for a university education should be able to have one. We are the first Government in 50 years who have been able to implement that.

Boardrooms (Ethnic Minority Representation)

10. **Philip Davies** (Shipley) (Con): What his policy is on representation of people from ethnic minorities in boardrooms. [906143]

The Secretary of State for Business, Innovation and Skills (Vince Cable): We believe that it is in the best interests of business to tap into the widest talent pool, resulting in a diverse and representative business leadership. I have therefore asked Trevor Phillips to start a new private sector-led campaign that will seek to address the lack of ethnic diversity in boardrooms. The purpose of the campaign will be to achieve similar success to our work on addressing gender diversity in boardrooms.

Philip Davies: Some people, like me, believe that all appointments should be made on merit. Some believe in political correctness, and think that merit is unimportant and that boardrooms should represent the population at large. The Secretary of State seems to be in a league of his own as a politically correct champion who believes neither in merit nor in representation; instead, he believes that ethnic minorities should be over-represented in the boardroom. Will he explain why that is the case and why he, as a Government Minister, will not give out the message that jobs should be given on merit alone, irrespective of people's race, religion or any other factor?

Vince Cable: I am delighted to see the hon. Gentleman in his place. I thought he might have been in Rochester today, waiting to defect. On his question, I certainly do believe in merit; I do not believe in quotas. I know that he has written 19 letters to Mr Trevor Phillips on the subject of race and political correctness, which leads me to believe that he might have a problem with the concept of racial equality.

Skills Training

11. **Mr Barry Sheerman** (Huddersfield) (Lab/Co-op): What steps he is taking to ensure that the UK's system of skills training is relevant to the changing structure of work. [906144]

The Minister for Skills and Equalities (Nick Boles): The important thing is to put employers in control of the training system, as far as possible. We are doing that by putting employers in control of designing apprenticeship standards and of the funding that goes towards apprenticeships, and by ensuring that all vocational and technical qualifications have business recognition if they are to be approved for state funding.

Mr Sheerman: I have a little secret, which is that I had a hand in the all-party Higher Education Commission's report, which was soundly rejected even though it was based on good evidence. I also had a hand in "Still in Tune? The Skills System and the Changing Structures of Work", which was published today. It is a good, cross-party report which points out that it is not just the employers but the people who receive the training who have the real stake in that education, because it will last them the rest of their lives.

Nick Boles: As usual, the hon. Gentleman is absolutely right. The people who receive the training are the customers; they are the people on whose behalf we are making the investment, and it is crucial to take their opinions into account. However, that does not dilute the crucial importance of employers being the judge of whether training is worth anything or not.

Gordon Birtwistle (Burnley) (LD): Will my hon. Friend acknowledge the work being done by university technical colleges in training young people for trades and apprenticeships? Will he recognise the work of the Burnley UTC, which is training young people from the age of 14 to be engineers and to work in the construction industry?

Nick Boles: My hon. Friend does valuable work as one of the Government's apprenticeship ambassadors. He has probably single-handedly persuaded more companies to offer apprenticeships to young people

than anyone other than my hon. Friend the Member for Harrogate and Knaresborough (Andrew Jones), who is also an apprenticeship ambassador. UTCs are crucial, and we have many more coming through the pipeline. The Burnley UTC is absolutely a jewel in the crown.

Martin Vickers (Cleethorpes) (Con): Last month, I attended the groundbreaking ceremony at Humberside airport, where BAE Systems has invested £5 million in a training academy. The project is supported by North Lincolnshire council and the regional growth fund, and provides opportunities for 60 apprenticeships each year. Does the Minister agree that this is just the sort of project where the Government and local authorities should support private industry, in training for the future?

Nick Boles: I congratulate my hon. Friend's local council for supporting that project and, in particular, I congratulate BAE Systems, which provides some of the best apprenticeships anywhere in Europe. A young lady recently secured a first-class degree through her BAE Systems apprenticeship. That is what apprenticeships can offer and we need to create many more of them.

Workplace Insecurity

12. **Andy Sawford** (Corby) (Lab/Co-op): If his Department will undertake an assessment of the main causes of insecurity in the workplace. [906145]

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Jo Swinson): The workplace employment relations study, which the Department funds, shows that employees' views on job security are related to their individual circumstances and also the underlying economic conditions of the time. Job satisfaction increased between 2004 and 2011, but, unsurprisingly, insecurity rose during the recession. However, the additional 1.4 million people in employment since 2010 will have improved that situation.

Andy Sawford: The Minister will know that many of those people are in very insecure employment. Will she investigate the experience of workers at the former Aquascutum factory in Corby? It briefly became The Clothing Works, under a man named Roger Gawn, who has now been disqualified as a director, and has now become Korisby Ltd. Workers there tell me that they are waiting for up to eight weeks' pay. One of them got in touch with me the other day and said that when they raise this with the new bosses, they are told, "Get on with it or leave." How can that be right?

Jo Swinson: I do not know the specific facts of that case, but I am happy to look into it because, from what the hon. Gentleman says, that does not sound right. I will be happy to make sure that the appropriate authorities can look into the matter, investigate and take any action that is necessary.

Mr David Nuttall (Bury North) (Con): If my hon. Friend's Department did carry out such an assessment, does she not agree that it might well find that the biggest risk to the security of British business is the election of a Labour Government, which would mean more spending, more borrowing and higher taxes?

Jo Swinson: I certainly agree that that would be a particular risk to British business. I wonder whether my hon. Friend might also agree that another risk to British business would be on the question of whether or not Britain left the EU.

Kevin Brennan (Cardiff West) (Lab): Has the Minister seen the recent campaign by the Union of Construction, Allied Trades and Technicians about the activities of umbrella companies, where workers are often having to pay for their own holiday pay through deductions and also national insurance employer contributions. What action is she going to take to ensure that job security and workers' security is increased by acting on umbrella companies?

Jo Swinson: The hon. Gentleman raises an important point. Work is already being undertaken by the Treasury on the tax-specific issue of what happens with umbrella companies. He may be aware that last month my right hon. Friend the Business Secretary announced an employment status review so that we can look in more detail at the different types of employment status and at how that system is working, between worker and employer, and with the use of self-employed contracts and umbrella companies. We are looking forward to the results of that review, which will be covering these issues.

Technology Cluster (Cambridge)

13. **Dr Julian Huppert** (Cambridge) (LD): What steps he is taking to support the technology cluster in Cambridge. [906146]

The Minister for Culture and the Digital Economy (Mr Edward Vaizey): We are doing an enormous amount but, as I know you want Ministers to be brief, Mr Speaker, I shall simply highlight the £500 million Greater Cambridge city deal; the £71 million local enterprise partnership growth deal, which is investing in a biomedical innovation centre and agri-tech growth initiative; and, of course, the research partnership investment fund, which is investing £25 million in a therapeutic immunology and infectious disease institute.

Dr Huppert: I thank the Minister for all that. The Cambridge tech sector is doing well, directly employing 53,000 people and bringing in £13 billion, but we could contribute much more to the UK if given further support. May I press him to support our call for more localised power and funding towards a Cambridge promotions agency, and to implement the recommendations in Sherry Coutu's scale-up report, which came out this week and contained advice for the whole country?

Mr Vaizey: The hon. Gentleman can always press me on those issues, and he rightly highlights the extraordinary success of technology in Cambridge, with 1,500 companies, two \$10 billion companies and 10 \$1 billion companies. Of course, we will look at Sherry Coutu's report with interest.

Apprenticeships

14. **Andrew Bridgen** (North West Leicestershire) (Con): What steps his Department is taking to increase the number of apprenticeships. [906147]

The Minister for Skills and Equalities (Nick Boles): We have a record number—about 840,000—of people doing apprenticeships, and we are on track to hit and exceed our target for this Parliament of 2 million apprenticeships. We are doing that by putting employers in control of the design of the standards and of the funding.

Andrew Bridgen: Apprenticeship starts in my constituency increased from 420 in 2009-10 to 1,020 in 2012-13, helped by community groups such as Whitwick Community Enterprises, which takes on an apprentice every month and runs two courses a months for NEETs—those not in education, employment or training—to get them work ready. Will the Minister congratulate community groups for the efforts they are making to halve youth unemployment in my constituency? What more can we do to empower such groups?

Nick Boles: I thank my hon. Friend for bringing to the attention of the House the fact that it is not just businesses that create apprenticeships, and that community groups like Whitwick community group can play a vital role. They are directly contributing to a very good piece of news we have had this morning, which is that the number of young people not in education, employment or training has fallen again, by 136,000 since last year.

Ian Lavery (Wansbeck) (Lab): A sure-fire way to increase apprenticeships in the UK would be to treat the apprentices fairly in terms of wages. They have had an increase in the last five years of 23p per hour. They get £2.73 per hour in wages. It is an absolute outrage. Is it not time that we matched the fine words and rhetoric with decent pay for our young people?

Nick Boles: Of course the hon. Gentleman is right, which is why we introduced the apprenticeship minimum wage, which did not exist until we did so, but he is also right that we need to make sure that the level is fair. Nevertheless, the chief value of an apprenticeship for the young person is the training and the preparation it gives them to create a career, so we need to strike the right balance: we need to make sure we set this at a fair level, but also encourage more employers to create apprenticeships, so that more young people are in education and in training and not on benefits.

Swindon and Wiltshire Strategic Economic Plan

15. **Duncan Hames** (Chippenham) (LD): What progress his Department has made on facilitating projects identified in the Swindon and Wiltshire strategic economic plan. [906148]

The Minister for Culture and the Digital Economy (Mr Edward Vaizey): We are making great progress. I know you want Ministers to be brief, Mr Speaker, so I will simply highlight the £129 million we have invested in funding to support a number of projects, including the first phase of a new science park at Porton and a new service to help military service leavers.

Duncan Hames: That is very welcome indeed. Project 16 in the local enterprise partnership strategic economic plan is the reopening of Corsham station. How does the Minister see LEPs working with their neighbours, local

authorities and industry on projects which, by their nature, require a solution that extends well beyond their boundaries?

Mr Vaizey: It is important for LEPs to work together, and that is why I was so pleased to attend a meeting along with my hon. Friend last night with the Secretary of State for Transport, to highlight the importance of a potential Oxford to Bristol rail link. I know that my hon. Friend disagrees with the Minister for consumer affairs, my hon. Friend the Member for East Dunbartonshire (Jo Swinson), on pub issues, but I will endeavour also to enlist her support for this important project.

Mr Speaker: Mr Ronnie Campbell. Not here.

Salary Deductions (Toilet Breaks)

18. **Mrs Madeleine Moon** (Bridgend) (Lab): What steps he is taking to prevent employers deducting money from staff salaries for toilet breaks. [906152]

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Jo Swinson): The Government would strongly encourage all employers, as a matter of good management practice, not to make deductions in pay for necessary and unavoidable interruptions to work. Employers who do not pay for toilet breaks may find themselves in breach of the Equality Act 2010 or of individual employment contracts.

Mrs Moon: I thank the Minister for that reply. A young constituent of mine was alerted, having just been sent details of his salary to his mobile phone. He was not told what the deductions were for. When he inquired, he was told they were for toilet breaks. The company tells me it makes ad hoc deductions for breaks away from the work station. Does the Minister agree that this is unacceptable, and if ad hoc deductions are made, they must be detailed and explained?

Jo Swinson: Absolutely: workers have rights to rest breaks, which there is a requirement for under law, and if deductions are made from pay, they have to be very clearly outlined—and if they take somebody below the national minimum wage, the employer could find themselves in breach of that law. I very much encourage the hon. Lady's constituent to seek advice from the pay and work rights helpline on 0800 917 2368, and I am very happy that she has raised this issue and awareness of it in the House.

Mr Russell Brown (Dumfries and Galloway) (Lab): Will the Minister update the House on how many businesses to date have taken up her Government's unpopular and much-derided shares for rights scheme, taking away people's rights at work in exchange for shares?

Jo Swinson: There is an interesting link between the issue of toilet breaks and that question, but in answer to the point about the employee shareholder policy, there is no requirement for companies to inform the Government when they have undertaken that model of employment, and therefore accurate figures would not be available to answer the hon. Gentleman's question.

Mr Speaker: I was, frankly, too generous, but the Minister, being the accomplished parliamentarian that she is, was ready with an answer.

Machrihanish (Spaceport Proposals)

19. **Mr Alan Reid** (Argyll and Bute) (LD): What discussions he has had with the Secretary of State for Transport on proposals for Machrihanish to become the site of the UK's first spaceport. [906154]

The Minister for Universities, Science and Cities (Greg Clark): The Government set out in July their ambition to start hosting commercial spaceflights from the UK by 2018. The activity is being driven by a cross-Government team that reports to me as well as to Ministers in the Ministry of Defence and the Department for Transport. We have undertaken a public consultation on the potential locations—including the one in my hon. Friend's constituency—and the criteria that will be used to select the location of a spaceport. Our response will be published shortly.

Mr Reid: I thank the Minister for his answer. When the Government take the decision on the location of Britain's first spaceport, will they take into account the fact that Machrihanish, with its 3 km runway, all the facilities of the former RAF base and a location that is far from densely populated areas, satisfies the criteria perfectly and is clearly the obvious choice for Britain's first spaceport?

Greg Clark: My hon. Friend has taken the opportunity to make a strong case for Machrihanish. He will not be surprised to hear that some of his hon. Friends make equally persuasive cases for their own constituencies. It shows that this competition has captured the public imagination and is a great one to have been launched.

Mr Speaker: Chris White. Not here.

Topical Questions

T1. [906160] **Andrew Stephenson** (Pendle) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Business, Innovation and Skills (Vince Cable): My Department plays a key role in supporting the rebalancing of the economy through business to deliver growth while increasing skills and learning.

Andrew Stephenson: The town of Barnoldswick in my constituency won a great British high street award in November, and the town of Colne, where shop vacancies have more than halved in the past two years, has been branded "the capital of cool" by Tourism Lancashire. What recent support has my right hon. Friend's Department provided to small business to help them to continue to grow and thrive?

Vince Cable: I congratulate my hon. Friend on the active role he plays in supporting his local commercial community. As the Minister for Business and Enterprise, my right hon. Friend the Member for West Suffolk (Matthew Hancock), described a few moments ago, we

are actively involved in supporting small business through the start-up loan scheme, through credit flows to the business bank and by creating a deregulatory and favourable tax environment.

Mr Chuka Umunna (Streatham) (Lab): It is essential that we give our towns, cities and regions the tools to be the masters of their own economic destinies to drive jobs and growth. The Secretary of State has said that he established local enterprise partnerships to help achieve that, and the LEP network was set up to support them and take forward their shared programme. Will he update us on their progress?

Vince Cable: Enormous progress has been made by the local enterprise partnerships since they replaced the regional development agencies, which, by common consent, were remote and wasteful. The most significant recent development was the growth deals, which all the LEPs now have and which have been enhanced by the specific programmes that have been developed for Manchester, Sheffield, Leeds and other centres.

Mr Umunna: I am sorry, but the Secretary of State simply does not appear to know what is happening on a supposed key part of the Government's programme. I have here a letter from the chair of the LEP network. He says that the network will close in two weeks and that the CEO has resigned because there is no support to do the job. He says that the network is "seriously under resourced for such a critical role at such an important time" and that it is "now officially overwhelmed and preparing to throw in the towel." Four years ago, the Secretary of State said that the regional policy was Maoist and chaotic. Does this not demonstrate that very little has changed?

Vince Cable: It demonstrates nothing of the kind. The LEP network is working exceedingly well. LEPs are voluntary organisations; some are outstanding and innovative and others struggle, as this one has done. It is much better that we have a regional network that is business-led and is related to the geography of the area, which was manifestly not the case with the regional development agencies.

T2. [906161] **Martin Horwood** (Cheltenham) (LD): Does the Secretary of State share my concern that the family brand name Weetabix is closing its packet printers Vibixa in my constituency, with inevitable consequences for more than 100 employees and their families, after the company was denied the sales force that could have widened its customer base? Does he agree that when a profitable company closes a profitable subsidiary, it should offer the best possible redundancy terms to its employees, some of whom have served Weetabix for more than 35 years, and not something barely above the statutory minimum?

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Jo Swinson): I share my hon. Friend's concern. I am sure that everyone's thoughts will be with those individuals who face this very difficult decision at this time of year. He is right to highlight the fact that the statutory minimum is indeed just that; it is a minimum, a floor. It is not the best scenario. One

would not expect a profitable employer that cares for its staff to go for the minimum when it can afford to pay more to recognise long-standing service.

T3. [906162] **Graham Stringer** (Blackley and Broughton) (Lab): The position of chief scientific adviser to the President of the European Commission has been abolished. Professor Glover has held that position with distinction for the past four years. One cannot have evidence-based decision making without scientific advice, so will the Government make the strongest representations to the European Commission to reinstate the position?

The Minister for Universities, Science and Cities (Greg Clark): I pay tribute to the work of Anne Glover, who has been a force for enormous good in Brussels. I am concerned at these reports and it is my view and that of the Government, which I think the hon. Gentleman shares, that it is important to have strong and robust scientific advice at the heart of European policy making. That has been provided in the past and I very much hope that it will be provided in the future.

T5. [906164] **Bob Blackman** (Harrow East) (Con): Every day in my constituency, 200 eastern European men assemble outside the local B&Q superstore on Honeypot lane. They tout their services aggressively for casual labour to people visiting the superstore, take money in cash and have no deductions for tax or national insurance for the work they do. What steps can be taken to ensure that people are employed properly and that the necessary deductions are made to support state aid?

Jo Swinson: Clearly, we are concerned about such scenarios, where people not only evade taxation law but do not have proper employment rights. I will happily look into the specific case that my hon. Friend raises and see how we can ensure that the rules are properly enforced.

T4. [906163] **Diana Johnson** (Kingston upon Hull North) (Lab): Is the Minister responsible for employment relations, consumer affairs and equalities, and the only woman in the Department, ashamed that since her Government introduced tribunal fees we have seen an 84% fall in equal pay claims, putting barriers in the way of justice at a time when the gender pay gap is increasing? So much for the sisterhood.

Jo Swinson: Although I share the hon. Lady's desire for gender equality, I have to put her right on a couple of points. I am not the only woman in the Department: Baroness Neville-Rolfe plays an important role in the other place. The gender pay gap is falling and fell significantly in the figures announced only yesterday. That is good news, but of course more needs to be done. That is why we are ensuring that we support women in the workplace through initiatives such as "Think, Act, Report" and through our reforms of flexible working and shared parental leave. It is this Government who are introducing such initiatives, which her Government failed to do.

T6. [906165] **Andrew Griffiths** (Burton) (Con): The decision of this House on Wednesday to vote to scrap the pub tie caused £350 million to be wiped off the share price of pub companies yesterday, and it continues

to fall today. That of Punch Taverns in my constituency fell by 17% in one day. Jobs and businesses are at risk. What discussions is the Department having with those companies and what help is the Secretary of State offering? If he is not offering help, why is he not?

Vince Cable: As the hon. Gentleman knows, Parliament has spoken and we respect its views on the subject. All I would say is that the Federation of Small Businesses commissioned a study that pointed in a very different direction from that which he is describing. Of course, there has been extensive consultation with all the different parties on this issue.

T7. [906166] **Sheila Gilmore** (Edinburgh East) (Lab): The Secretary of State has frequently said that he wants fairness for people on zero-hours contracts. Will he now, even at this stage, reconsider the amendments he opposed in this House this week, which would have given greater protection to people on zero-hours contracts, including care workers?

Jo Swinson: We had extensive debates on these issues in Committee and on Report. The Government have introduced legislation that will now go to the other place to ensure that exclusivity clauses are banned. We have also made a commitment to introduce sector-specific guidance to promote best practice in the use of these contracts. That is action from this Government where the hon. Lady's Government failed to act.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): With several hundred job losses already announced in the north-east of Scotland as projects come to maturity in the North sea and costs rise, what are the Government doing to encourage further investment and exploration and to underpin many vital jobs across the UK?

The Minister for Business and Enterprise (Matthew Hancock): The hon. Gentleman raises a vital point, not least because of the fall in the oil price we have seen in the past few weeks, which is good news for the consumers at the pump but tough in Aberdeen. With the Wood review, we are reviewing and making more business friendly the regulation of offshore oil drilling, and we also have a review of the fiscal regime because our goal is to get every economic drop out of the North sea.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): Yesterday the Prime Minister had a meeting with north-east Lincolnshire Members of Parliament on the Scunthorpe steelworks site and the wider Tata long products divisional issue. As chair of the all-party parliamentary group for steel, I twice asked to attend that meeting and was twice refused. Will the Secretary of State please talk to the Prime Minister to see whether the APPG for steel can have a conversation with him so that the industrial divisional issue is not missed just because of the geography of Scunthorpe?

Vince Cable: A meeting took place with the Prime Minister, me and several steel MPs yesterday. That shows that the Prime Minister, other members of the Government and I are happy to keep Members up

to date on this issue. We will establish a link with the community unions so that they can be kept fully informed too.

Philip Davies (Shipley) (Con): The Secretary of State said this morning that appointments should be made on merit, yet to an earlier audience he said that boardrooms should have 20% of people from ethnic minorities, which led Lord Bilimoria to say, "I think for Vince Cable to say 20% is the right target when the ethnic minority population is 14% is going too far."

I know that the Secretary of State is a Liberal Democrat and therefore used to holding two different opinions at the same time, but may I try to pin him down to one? Does he believe in quotas in boardrooms or appointment on merit?

Vince Cable: I do not believe in quotas for ethnic minorities, women or any other group. I have never ever said anything about 20%. If he reads the correspondence from Trevor Phillips, he will acknowledge that I never endorsed that view. However, there is a problem, which I hope the hon. Gentleman acknowledges, that more than half of the boardrooms in the UK have no non-white representation whatever. Only one in 16 senior managers come from our very talented ethnic minority groups, and they should be better represented.

Bill Esterson (Sefton Central) (Lab): The Secretary of State mentioned earlier the importance of regional networks. I wonder whether he thinks the same when it comes to banks? Regional banks have the advantage of understanding their local community and economy and their customers. When banks are not lending to small businesses in my constituency and others around the country, are not regional banks the answer to the problem of getting the growth and support that small business needs?

Vince Cable: We warmly welcome challenger banks offering a service to small business. If they can be organised on a local and regional basis, so much the better. There is an organisation called Cambridge and Counties, which is performing this role in the east of England, and I know that Airdrie bank does so in Scotland. We would like to see many more. The liberalised process of licensing means that these things can come on stream rapidly when they are put forward.

Greg Mulholland (Leeds North West) (LD): Regrettably but inevitably, the pubcos trade association, the British Beer and Pub Association, is providing misleading information to the media and MPs about the London Economics report commissioned by BIS, including presenting figures for an immediate free-of-tie option for all tenants, which clause 2 is clearly not; it is gradual. The association's presentation is therefore false. What assurances can I get from Ministers that they will be aware of this, will scrutinise it and will ensure that civil servants also know that these misleading claims are just that?

Vince Cable: I congratulate my hon. Friend on the long and successful campaign that he has fought on this subject. I am inclined to let the matter rest, rather than continue a debate that he has won.

Mr Mike Weir (Angus) (SNP): Yesterday Royal Mail said again that there was a danger to the universal service obligation from increased competition. That is very worrying, especially to people in rural areas. Will the Secretary of State press the regulator to take stronger action to look at the state of competition and take appropriate action to ensure that the USO is not put in danger?

Vince Cable: I do not press regulators on this or other issues. The simple truth is that the USO is embodied in law. It would have to be changed by both Houses of Parliament. Royal Mail was put in the private sector to enable it to compete, and although it was little observed at the time, for the first time in decades it has been able to raise hundreds of millions of pounds in the bond market to reinvest. There is a success story there.

Andrew Jones (Harrogate and Knaresborough) (Con): The latest Office for National Statistics bulletin showed that manufacturing production had increased by 2.9% over the same time last year. These are encouraging figures. What more can I tell manufacturers in my constituency about further action that will be taken to support them?

Matthew Hancock: There will be continued further action to support manufacturers, and not only on the skills front, where it is vital to increase engineering skills. In April there will be a further cut in corporation tax to help companies to employ more people—something that is opposed by the Labour party.

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): I thank the Secretary of State for his engagement with the all-party group for the steel and metal related industry. Its members are from across the whole of the UK and they are concerned about the Tata Steel situation. May I implore him again—this was raised earlier—to ensure that his Department's engagement with the Klesch group is predicated on trying to secure as many of those jobs as possible for the long term? People in the steel industry in my constituency and across the UK are very concerned, given the Klesch group's record in other parts of Europe.

Vince Cable: I can give the hon. Gentleman exactly that assurance. We should listen to what he has to say. Of course, we are concerned that the British steel industry should succeed.

Mr David Willetts (Havant) (Con): With the extraordinary technical achievement of the Rosetta landing last week and the announcement of crowdfunding for Lunar Mission One this week, will the Minister responsible for science take this opportunity to congratulate the British space community on its scientific excellence and its enterprise?

Greg Clark: I will indeed do that. I had the great pleasure of visiting Stevenage earlier this week to congratulate in person many of the scientists and engineers who worked on that brilliantly successful Rosetta mission. They demonstrated the Mars Rover, which is going to be the next source of excitement.

The Minister for Culture and the Digital Economy (Mr Edward Vaizey): And Harwell in my constituency!

Greg Clark: My ministerial colleague quite rightly calls on me to mention the signal role played by Harwell and, indeed, many other space and scientific establishments across the country. It was a great day for UK science.

Heidi Alexander (Lewisham East) (Lab): In response to my earlier question, the Secretary of State boasted that a number of firms were already benefiting from the Government's direct lending facility. Will he name the firms, in addition to Carillion, that have benefited to date?

Vince Cable: I cannot name the firms, but I am happy to write to the hon. Lady with the names. UK Export Finance, which she asked about, is now providing a substantial range of export finance facilities, which were not available before and are contributing substantially to export growth.

Business of the House

10.31 am

Ms Angela Eagle (Wallasey) (Lab): Will the Leader of the House give us the business for next week?

The First Secretary of State and Leader of the House of Commons (Mr William Hague): The business for next week is as follows:

MONDAY 24 NOVEMBER—Remaining stages of the Recall of MPs Bill.

TUESDAY 25 NOVEMBER—Remaining stages of the Pension Schemes Bill, followed by a motion to approve resolutions relating to the Self-build and Custom Housebuilding Bill, the Local Government (Review of Decisions) Bill, the Health and Social Care (Safety and Quality) Bill and the Control of Horses Bill.

WEDNESDAY 26 NOVEMBER—Opposition day (10th allotted day). There will be a debate on an Opposition motion, subject to be announced, followed by a motion to approve a statutory instrument relating to terrorism.

THURSDAY 27 NOVEMBER—Debate on a motion relating to inequality, followed by a general debate on progress of the historic child sex abuse inquiry. The subjects for both debates were determined by the Backbench Business Committee.

FRIDAY 28 NOVEMBER—Private Members' Bills.

The provisional business for the week commencing 1 December will include:

MONDAY 1 DECEMBER—Consideration of Lords amendments to the Criminal Justice and Courts Bill.

I should also like to inform the House that the business in Westminster Hall for 27 November and 4 December will be:

THURSDAY 27 NOVEMBER—Debate on the second report from the Environment, Food and Rural Affairs Committee on food security, followed by a debate on the 11th report from the Environmental Audit Committee on plastic bags.

THURSDAY 4 DECEMBER—General debate on small business Saturday.

It may assist the House to be made aware that the calendar confirming the dates agreed by this House until the dissolution of Parliament next year is now available from the Vote Office.

Ms Eagle: I thank the Leader of the House for announcing next week's business. A week on Monday we will debate the Government's defeats on the Criminal Justice and Courts Bill on their plans to curtail severely the use of judicial review. With their cuts to legal aid and their gag on charities and campaigners, is it not now obvious that this Government started off promising a big society but have ended up stifling civil society? Does the Leader of the House plan to allow the modest amendments from the other place to remain in the Bill?

I am getting a bit worried about the Tory Chief Whip. The first thing he did when he got his job was get stuck in the toilet, and I am afraid to say it has all gone down the pan since then. He has misplaced two MPs, he keeps losing votes, and this week he presided over the first-ever Commons defeat for this Government on their own legislation. This was the fourth time that the House has

voted to introduce a statutory code to end unfair beer ties. The Leader of the House has some relationship with beer and he used to tell us about it a lot, so will he confirm that he will now finally accept the clearly expressed will of the House and not try to reverse this decision? Is it not obvious now that the Chief Whip cannot even organise a vote in a brewery?

Light was shed yesterday on the Tory Chief Whip's mysterious absence from this place every Thursday morning. I note that once again he is not here. Apparently he has written to Tory MPs to tell them that this Government are so out of ideas that they are no longer required to be in Parliament on a Thursday. I am glad to see that so many are disobeying him, but 40 years ago a previous Tory Government introduced the three-day week. Only this nostalgia-obsessed former Education Secretary could possibly think of bringing it back. Will the Leader of the House tell us whether we can now expect to be holding our debates by candlelight? Does he support the reintroduction of the three-day week? It seems that this zombie Government are grinding to a halt. Their legislative programme is threadbare, the House sits for less and less time, they have lost and then ignored a record number of votes, and now the Chief Whip has told Tory MPs that they do not need to show up at all.

Is it not the case that the Government treat this place with contempt? Just look at what happened with the European arrest warrant. The Prime Minister stood at the Dispatch Box and promised the House that we would have a vote on the European arrest warrant before today. The Government botched the drafting so badly that the regulation was rejected by the Joint Committee on Statutory Instruments. They brought a motion to the House which masqueraded as a vote on the European arrest warrant when it was no such thing. This caused outrage on all sides. The Home Secretary was left filibustering while frantic junior Whips rang round Government Back Benchers to bring them back from their lobster dinners, and although the Prime Minister and the Lord Chancellor were forced to rush back from their white tie banquet with their City friends, the Chief Whip was nowhere to be seen.

The following day's newspapers were full of a vicious blame game between the Home Office and the Tory Whips, and later in the week we learned that the unelected Chamber was going to be granted a say on the European arrest warrant when the Commons had been denied one. It took yesterday's Labour Opposition day to give this House the debate on the European arrest warrant which the Prime Minister promised us four weeks ago. After witnessing this farce, I have a suggestion for the Leader of the House. He likes outsourcing, so why does he not just give up and let the Opposition handle the rest of the legislative programme in this Parliament? There is no question but that we would make a better job of it.

There are only two other men in the Government who came close to the Chief Whip for having a bad week. One was the Prime Minister, who has been savaged by Dominic Cummings for having "no political priorities whatsoever" and being unable to "manage his way out of a paper bag".

Cummings revealed a real truth when he went on to say:

"There is no long-term priority. There is no long-term plan."

And what about the Chancellor? This week we learned from the Chief Secretary to the Treasury that they have gone from drinking whisky together in those early heady days to the Chancellor putting a padlock on the Treasury fridge filled with treats and milk. What would Mrs Thatcher say if she knew that it was the Liberal Democrats who are now the milk-snatchers?

Mr Hague: She would have believed anything about Liberal Democrats. Unlike me—I am very fond of my Liberal Democrat colleagues.

The hon. Lady asked about judicial review. As we come to the debate on Lords amendments a week on Monday, the Government will set out what we propose to do about the amendments in the other House. On the question of civic society and volunteering, the hon. Lady ought to have mentioned that the number of people now volunteering in the big society in this country has gone up to 74%, from 66% five years ago. That is the change that has taken place over the past few years.

On the vote on pubs—and I yield to no one in my expertise on pubs in Yorkshire in particular—the Business Secretary set out the position just a few moments ago at Business questions, because he congratulated the hon. Member for Leeds North West (Greg Mulholland) and told him he had won, and that can be taken as an official statement of Government policy. Let us hope that some of the feared consequences of that do not come to pass, but we will see.

The hon. Lady asked whether we were now on a three-day week. I have to tell her that if we sit the days that are indicated on the calendar now in the Vote Office, this Parliament will have sat for more days than any of the three Parliaments of the last Government, so we need no lectures on that. On the question of turning up, she asked about the issues of judicial review in the Criminal Justice and Courts Bill, and I seem to remember that when that was first debated in this House only three Opposition Members took part, and one of those was a Whip who was sent to the Back Benches in order to speak. So we also do not need any lectures about turning up.

On the votes on the European arrest warrant, the result of this week's vote was remarkably similar to the result of the vote on Monday last week, because the House was voting on essentially the same issue. But it is quite right that the Opposition provided time, because it was their motion to move the previous question that denied the House the opportunity to have a debate a week last Monday. Either way, that has now been resolved.

The hon. Lady said that the Prime Minister had been savaged. It is not a very good week for Opposition Members to talk about leaders of parties being savaged after what happened to the Leader of the Opposition the other night. This is a week where the Prime Minister stood up to President Putin and the Leader of the Opposition could not stand up to the other guests on an evening television show. If we are going to trade comments about leadership styles and behaviour, barely a day goes by without, in this case, a senior Labour MP stating that

“this is not one or two backbenchers—there's an angst across the Labour party. We are desperate.”

Another senior figure is quoted as saying that

“there are two deficits—the deficit he ignores and the deficit of economic competence.”

That is very true.

Once again, the real gap in the demand for debates from the Opposition is on economic questions. Since our last business questions, newly published figures have shown more people in work than ever before in the history of the country, youth unemployment at its lowest since the 1970s, redundancies at a record low, the UK new car market enjoying its longest period of continuous growth, and the difference—I am surprised the hon. Lady did not raise this—between the average earnings of men and women in the UK narrowing to its smallest gap since records began in 1997. When the gender pay gap widens she wants to ask about it, but when it narrows there is not a mention of it from the Opposition, and that is the result of a long-term economic plan that we will continue to pursue.

Sir William Cash (Stone) (Con): The European Scrutiny Committee is concerned about the lack of progress in scheduling its recommended debates, one of which relates to the European police college, on which my Committee reports this morning. The Government have failed to schedule a debate on whether to opt in to the measure, despite that being recommended by my Committee at the beginning of September, and the opt-in deadline is next Monday. Will the Leader of the House now take urgent steps to live up to the Government's rhetoric on the role of national Parliaments and schedule all the debates that we have recommended on such matters as free movement of EU citizens, the ports, and, most importantly and urgently, the European police college?

Mr Hague: Given the number of days between now and the end of this Parliament, and certainly between now and the end of the year, I cannot promise that all these matters will be discussed, but my hon. Friend makes important representations about them, and I will take a look at what can be done.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Has the right hon. Gentleman seen early-day motion 499, in my name, regarding Manchester primary care trust?

[That this House condemns Manchester Primary Care Trust for failing over a period of months to reply to correspondence from the right hon. Member for Manchester, Gorton concerning complaints from a constituent with regard to appalling service from his general practitioner; regards it as disgraceful that a publicly-funded organisation should be so slack and negligent; and asks the Secretary of State for Health to investigate and, if appropriate, bring about the dismissal of those responsible.]

My early-day motion sets out the trust's negligence in totally and utterly failing to respond to repeated letters from me over a period of months on behalf of a constituent who has serious grievances. Will the Leader of the House ask the Secretary of State for Health to look into the situation and, if need be, bring about the dismissal of the officials concerned, who, whatever they are paid, are overpaid?

Mr Hague: The right hon. Gentleman feels strongly about this, as any of us would in this House about our letters not being replied to. It is very important that public authorities reply to letters from Members of Parliament in a thorough and efficient way. He will have

[Mr Hague]

a further opportunity to raise this point, if he wishes, because there are questions to the Secretary of State for Health next Tuesday. He may be able to catch your eye again then, Mr Speaker.

Mr Speaker: Indeed he may. I am sure that the right hon. Member for Manchester, Gorton (Sir Gerald Kaufman) will be in his place.

Sir George Young (North West Hampshire) (Con): Later today, the House will debate devolution and the Union. The debate takes place before the report of the Smith commission is published, and before the Cabinet Sub-Committee on English votes for English laws, which my right hon. Friend chairs, has completed its work. Does he agree that we really need a debate once we have both those documents, and will he use his best endeavours to secure one?

Mr Hague: Yes, I do agree with that, absolutely. There is no harm in having debates on the subject even at this stage, and I welcome the Back-Bench business debate on devolution and the Union that will take place later today. However, my right hon. Friend is absolutely right: it will be necessary for us to have further debates. The Smith commission is committed to reporting before the end of this month, the work of our Cabinet Committee continues, and the arguments on these issues develop, so I am sure that the House will need a major debate on them within the next couple of months.

Pete Wishart (Perth and North Perthshire) (SNP): The motion for the debate to which the right hon. Gentleman refers was signed by 80 of his Back-Bench colleagues. Among other things, it calls for a review of the Barnett formula. He, I and everyone else know that the Prime Minister is a signatory to a vow—a solemn promise and guarantee to the Scottish people—that includes a reference to the Barnett formula being maintained. Can we expect the Government to join the Scottish National party in voting down the motion today, and if not, why not?

Mr Hague: The Government's position is already very clear and will not change, although it may serve the interests of the Scottish National party to keep pretending that it will change. This is a very clear commitment indeed from all three leaders of the main pro-UK political parties. Our position on this is absolutely clear, and I will restate it in the debate this afternoon. The Prime Minister is before the Liaison Committee at this moment, and if he is asked about this, he will restate the position, too, so there is no doubt about it, and the Scottish nationalists should stop pretending that there is.

Tessa Munt (Wells) (LD): A road sign at Tarnock on the main A38, which marks a junction leading to the village of Mark, fell apart some two years ago, and is still lying by the roadside, completely obscured by undergrowth. May we have a debate on why Somerset county council's highways department feels that it has to consult 14 different statutory authorities and wait nearly two years for their responses before it can fix a road sign? Does the Leader of the House agree with me that it sounds completely barmy?

Mr Hague: It does sound fairly barmy, if they have to consult so many people, but my hon. Friend has used this opportunity to raise the issue in the House. I doubt that we will have a debate in the House on the decisions of Somerset county council, but she is obviously pursuing the matter energetically, and is no doubt encouraging the council to debate the issue itself.

Liz McInnes (Heywood and Middleton) (Lab): In Heywood, 123 people are employed by Capita to handle the distribution and filing of Department for Work and Pensions claimants' files. Capita has refused to pay those staff a living wage, and even pointed to other examples of employers in the area that pay poverty wages to justify that decision. May we have a statement, or even a debate, on the Government's attitude to the payment of the living wage to those working in outsourced services?

Mr Hague: Debates on subjects such as the living wage can be held, and the Backbench Business Committee listens carefully to requests for such debates. In addition, the hon. Lady can pursue the matter directly with Work and Pensions Ministers; they do not have questions next week, but she can raise the matter in correspondence and in the House.

Mr Peter Bone (Wellingborough) (Con): Yesterday the Deputy Prime Minister confirmed that he was in favour of money resolutions for two private Members' Bills that have had a Second Reading in this House. Will the Leader of the House arrange for the Leader of the House to make an urgent statement next week on how it can be that money resolutions have not been brought forward, even though the Deputy Prime Minister and the Prime Minister want them to be? The Executive appears to be blocking the will of Parliament. Can we have the money resolutions urgently?

Mr Hague: I can assure my hon. Friend, although this will disappoint him, that there has not been agreement in the Government on those money resolutions, as I explained to the House a few weeks ago. Otherwise, they would have been moved. There has not been agreement in the Government on money resolutions on the Affordable Homes Bill or the European Union (Referendum) Bill, and that remains the position.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): As a fellow Yorkshire MP, would the Leader of the House be interested in having an early debate on health trusts in Yorkshire? As he may know, the Calderdale and Huddersfield NHS Foundation Trust has been one of the most successful for many years, but it has now been plunged into real difficulties as a result of the reforms that his Government have introduced, and the capricious behaviour of clinical commissioning groups means that we are facing ruin in a health area that has been so good at providing excellent health care for so many years.

Mr Hague: The House regularly debates health matters, when issues from across the country can be raised. As I mentioned earlier, we have questions to the Secretary of State for Health next Tuesday, when there will be an opportunity to raise such issues, but I think that it has to be borne in mind that under this Government we have seen the number of nurses go up by 2,500 and the

number of doctors go up by almost 8,000, so very important improvements are taking place in our health service.

Mr Alan Reid (Argyll and Bute) (LD): The Post Office card account contract between the Department for Work and Pensions and Post Office expires at the end of next March. It was used to pay out pensions and benefits. I hope the card account will be replaced by a Post Office product that has more facilities, but time is clearly running out. May we have an urgent statement from the DWP regarding its intentions for the contract?

Mr Hague: No decision has yet been made on the future of the Post Office card account contract, but discussions are taking place between DWP, Post Office Ltd and the Department for Business, Innovation and Skills, considering the future needs of customers beyond 2015. Further announcements will be made once a decision has been reached.

Paul Flynn (Newport West) (Lab): Paddy Ashdown—Lord Ashdown—has said that the Afghan war rewrote the text book on how not to conduct a war. As there is a possibility that we might send troops into battle again in future, is it not right that we decide whether it is the Prime Minister who is correct in saying that the Afghan war is “mission accomplished”, or others who say that it was a series of blunders? When are we having the debate and the inquiry?

Mr Hague: There is a great deal of continuing work to do in Afghanistan. The Prime Minister has not said that it is “mission accomplished” in the sense of everything being perfect in Afghanistan—he has absolutely not argued that. He has of course thanked the troops for the excellent work they have done and for the many things that have been achieved, particularly in southern Afghanistan. I hope that there will be further opportunities for the House to discuss these matters, for example during Defence questions next Monday. I know that the Defence Secretary will want to address these issues. We have been waiting a long time for the report of the Chilcot inquiry on Iraq. Of course, we have to learn from all the conflicts we have been engaged in.

Neil Parish (Tiverton and Honiton) (Con): Will my right hon. Friend find time for a debate on oil prices? Crude oil prices have dropped by 30%, but the price of heating oil has not come down by the same degree, and neither has the price of diesel or petrol. Many of my constituents live in hard-to-heat houses and have oil-fired heating, and we really need to get them the benefit of lower prices on oil.

Mr Hague: It is very important that price reductions are passed on to consumers. My hon. Friend is right—there has been a dramatic drop in the price of crude oil. The Government have already made representations to ensure, for example, that price reductions in petrol occur at filling stations. It is also important that oil for domestic heating purposes is reduced in price. I will remind my colleagues in the Treasury of the point that he has made.

Simon Danczuk (Rochdale) (Lab): A disproportionate number of people claiming asylum are being placed in Rochdale, not least from some London boroughs. Public services have been cut dramatically, and Rochdale’s

council tax payers are unhappy with this burden. Will the Government make a statement on the issue or even provide a debate on it?

Mr Hague: I can understand why the hon. Gentleman raises that point. There is no immediate debate to be had, but it is the type of subject on which he can apply for an Adjournment debate or put to the Backbench Business Committee. He can also raise the issue directly with Home Office Ministers, and I will certainly alert them to the fact that he is concerned about it.

Pauline Latham (Mid Derbyshire) (Con): Labour-run Derby city council is using a message on its answerphone to smear the Government for the necessary savings that we have had to impose on council services. When people phone up, it says, “Sorry we can’t get to the phone—it’s the Government-imposed cuts.” Like my right hon. Friend, I am sure, I am appalled at this politicisation of a public service. May we have a debate on council funding and how it is used for party political purposes?

Mr Hague: My hon. Friend makes a good point. Councils ought to be able to answer the telephone to the people who live within their district or county. Perhaps her council should have an answerphone message referring to the £5 billion that the Government have supplied for council tax freezes for five successive years in order to keep down council tax, which doubled under the previous Government. That would be a good message to send out to the whole country.

Kevin Brennan (Cardiff West) (Lab): It is becoming increasingly clear that we need a debate on the role of the Chief Whip, because he is clearly not up to the job. Surely a better job for him would be Lord Privy Seal, not just because his first act as Chief Whip was to be sealed in the privy, but because it is the fifth highest order of job in the state and yet has absolutely no functions whatsoever attached to it.

Mr Hague: I can see that Labour Members have a thing about the Chief Whip—I do not know whether it is an obsession, paranoia, stalking, or what it is. My right hon. Friend will be fascinated to hear these references to him. I have to tell the hon. Gentleman that we already have a very capable Lord Privy Seal in my right hon. and noble Friend—

Thomas Docherty (Dunfermline and West Fife) (Lab): It says here.

Mr Hague: No, it does not say it here; I am saying this off the top of my head. I do not have to have everything written down, I can tell the hon. Gentleman. The Lord Privy Seal is my right hon. and noble Friend Baroness Stowell of Beeston, the Leader of the House of Lords. There are a few functions attached to the job of Lord Privy Seal, and she discharges them with great distinction.

Chris White (Warwick and Leamington) (Con): Warwickshire college is one of the many excellent further education institutions in this country. More than 16,000 students are able to study more than 1,000 courses at six different centres, and in excess of 1,200 apprentices are trained there every year. May we have a debate on the important contribution that further education colleges make to the wider economy?

Mr Hague: That would be a good subject for a general debate, and my hon. Friend might wish to put it to the Backbench Business Committee. Such a debate would highlight the many excellent further education institutions and new initiatives in this country and the huge expansion of the number of apprentices that has taken place under this Government, with 1.8 million apprenticeships started over the past four years, and help the House to reflect on the important contribution that further education colleges make to our economy.

Diana Johnson (Kingston upon Hull North) (Lab): As a fellow Yorkshire MP, the Leader of the House will be aware that a year ago today Hull was announced as the city of culture for 2017. May we now please have a debate about whether there is enough urgency and joined-up thinking across Whitehall to ensure that this national status for Hull is used as an opportunity to get national arts, cultural and sports events to Hull, redress the unfair funding balance between the north and the south and, most importantly, ensure that Hull gets our privately financed rail electrification scheme by 2017?

Mr Hague: It is very important that we all join, as I know everyone in Hull will want to do, in making that a success. The hon. Lady has raised several issues, and has therefore brought them to the attention of the House. Culture, Media and Sport questions on Thursday, a week today, would be another good opportunity to raise these matters. I am not sure that it is necessary to have a national debate, but it is important for the Government and local authorities to work well together on the status, and her point will be taken.

Philip Davies (Shipley) (Con): Will the Leader of the House ask the Secretary of State for Education to make a statement at the earliest opportunity on Ofsted and its ways of marking schools? Middle Rasen primary school was adjudged not to be outstanding, and the reason that Ofsted gave in its report was:

“Pupils’ cultural development is limited by a lack of first-hand experience of the diverse make up of modern British society.”

Is that now how the Government think schools should be judged on whether they are good or outstanding? Will the Secretary of State come to the House and explain herself?

Mr Hague: I am sure that my hon. Friend is able to pursue his concerns directly with the Secretary of State for Education. She will be at the Dispatch Box to answer questions on Monday 1 December, at the beginning of the week after next, and he may wish to seek to raise his concerns then, as well as in correspondence with her.

Julie Hilling (Bolton West) (Lab): An increasing number of constituents are contacting me with concerns about how they have been treated after becoming victims of internet crime. With internet fraud taking over as the crime of choice, fraud not appearing as a crime statistic, and a lack of information about prosecutions and the effectiveness of Action Fraud, may we have a debate on internet fraud and the performance of investigators and prosecutors?

Mr Hague: The hon. Lady raises an important issue. The development of the internet is bringing immense social and economic benefits, but it is also bringing

dangers and more crime is moving on to the web. As a result, people need to know how to deal with such crime. That would be quite a good subject for a debate, but I encourage her to put it forward to the Backbench Business Committee or for an Adjournment debate. I cannot offer her Government time, since a lot of our time has been given to the Backbench Business Committee for such subjects, but I encourage her to put it forward.

Robert Halfon (Harlow) (Con): May we have a statement on planning laws and protecting the rights of villagers? Many villagers in Nazeing in my constituency are concerned about a development of 45 houses on green-belt land, and have been urging the local authority to listen to them. Does my right hon. Friend agree that villagers’ rights should be protected, and will he write to the planning Minister about this case?

Mr Hague: It is very important to protect the green belt from development, and I will of course tell Ministers in the Department for Communities and Local Government about my hon. Friend’s question. The Government have already taken much action to protect villages in the situation that he describes, including by abolishing the previous Government’s top-down regional strategies, selling surplus brownfield land for redevelopment and introducing more flexible planning rights so that empty and underused buildings can be brought back into productive use. We have done a lot on this, but I will of course refer what he says to the relevant Ministers.

Ian Lavery (Wansbeck) (Lab): On 9 October 2013, six former British soldiers were arrested in an anti-piracy security vessel off the coast of India. Despite the fact that all charges have been dropped, the six former soldiers are still being detained in India. They include Nick Dunn from my constituency, who has just been badly assaulted by the Indian police. I am sure that the Leader of the House understands this case quite clearly. May we have an urgent debate on getting the soldiers back to this country so that they do not spend a second Christmas away from their families?

Mr Hague: The hon. Gentleman has been assiduous in pursuing this case, and I fully sympathise with what he is saying because one of my constituents is one of the six. I raised the matter as Foreign Secretary with the Indian Government, as did the Deputy Prime Minister on his recent visit to India at the end of August. Our high commission in India continues to work hard on the matter, and the British Government are doing everything they can to help in what seems to be a lengthy, legal process. We will continue to do that, and I will ask Foreign Office Ministers to keep the hon. Gentleman informed.

Greg Mulholland (Leeds North West) (LD): I am delighted to hear about my right hon. Friend’s passion for pubs. As he knows, I share that passion, including for pubs in Osmotherley, Northallerton and Stokesley in his constituency. Perhaps we might meet for that pint—for example in the Oddfellows Arms, a former Enterprise Inns pub that is now thriving under local ownership. I thank him for confirming that the Government will accept new clause 2 to the Small Business, Enterprise and Employment Bill. May I ask for an urgent debate on the scandal of permitted development rights that

continue to allow pubs, including the Kings Head hotel in Bedale, to be turned into Tesco without local people having a say? This will be the most pro-pub Government ever if we change that as well. Can we please do it in the last few months of this Government, and may we have a statement?

Mr Hague: I am delighted for the hon. Gentleman to advertise pubs in my constituency, as well as elsewhere, but I will resist the temptation to advertise individual pubs, because as the local Member of Parliament I might get into a lot of trouble with the other pubs. I am aware of the situation in Bedale that he describes, and it is a legitimate subject for debate. Following his success this week, the hon. Gentleman might want to suggest it to the Backbench Business Committee.

Ian Murray (Edinburgh South) (Lab): Last week I had the pleasure of visiting James Gillespie's high school to speak to modern studies students about Parliament and democracy, and they wanted me to raise with the Leader of the House the issues of votes for 16 and 17-year-olds. During our discussions I was made aware of one student, Sakina Abbas, whose grandfather is Mohammed Asghar, the British national who has been jailed in Pakistan under blasphemy laws, despite being diagnosed with significant mental illness. May we have an urgent statement or debate on how we can get British nationals who have been diagnosed with health concerns back to this country so that they can be treated with their loving families?

Mr Hague: Those are both important issues, and Ministers have raised with the Pakistani Government the way that blasphemy laws in Pakistan are interpreted. The high commission in Islamabad takes up individual cases. I am sure it is aware—I will check that it is—of this case, and will continue to pursue it.

I remind the House that last Friday in this Chamber the UK Youth Parliament took place, consisting largely of 16 and 17-year-olds. It was a tremendously positive example of the engagement and good sense of young people in the affairs of our country.

Mark Pritchard (The Wrekin) (Con): May we have a debate on the Syrian refugee crisis? Last January the Government announced the vulnerable persons relocation scheme. They said that they would allow refuge for 500 refugees from Syria, but to date there have been fewer than 100. Given that there are many orphans, maimed children and widows as a result of that conflict, will the Government do far more, more urgently, to provide a safe refuge for some of those most vulnerable people?

Mr Hague: The vulnerable persons relocation scheme is working, and between March and June 50 people were relocated to the UK. Syrians continue to be brought to the UK on a regular basis under the scheme. As my hon. Friend understands well, our prime focus in Syria is on helping people in the region. The United Kingdom has committed £700 million in total, and we are the second largest bilateral donor in the world to give help to Syrian refugees. The commitment and generosity of this country to those displaced by the fighting in Syria is not in doubt.

Mrs Madeleine Moon (Bridgend) (Lab): At a meeting at the Department of Health this week, kidney charities were stunned to be told that Ministers had decided that kidney dialysis was no longer to be a prescribed service, and that a period of consultation of six weeks would be held by the Department after which a Bill would be introduced in February and changes to clinical commissioning group commissioning would commence on 1 April. May we have an oral statement from a Minister from the Department of Health, so they can hear from Members of all parties what a dangerous decision that would be and how kidney patients would be placed at risk by that decision?

Mr Hague: I do not think there is any immediate need for a statement, because there will be Health questions in a few days, which will include Topical questions. The Secretary of State for Health and the ministerial team will be here on Tuesday to answer questions, so there is an early opportunity for the hon. Lady to pursue this issue.

Henry Smith (Crawley) (Con): The Crawley Town Community Sports Foundation and Autism Sussex are finalists in the south-east People's Millions for a project called Capers, which helps to encourage young people with autism to get involved in football. Voting takes place next Wednesday. As well as wishing the project well, may we have a debate on local community involvement in such volunteering projects which, as my right hon. Friend mentioned earlier, has increased in recent years?

Mr Hague: I hope that at some stage we can have a debate on how to encourage further volunteering. My hon. Friend speaks up very well, as always, for his constituents and for that project helping with autism in his constituency. There is, as he says and as I said earlier, a very clear rise in the number of people volunteering and trying to make a difference in so many ways. I am pleased that he is encouraging that too.

Ian Austin (Dudley North) (Lab): Will the Leader of the House arrange for the Home Secretary to come to the House and make an urgent statement on the extent to which police stations should be open to the public? Despite the Prime Minister promising that there would be no cuts to front-line services, spending cuts are forcing West Midlands police to close to the public police stations right across the west midlands, including in my constituency. Dudley would be the biggest town in the country with no open police station. My constituents are furious about that, because they want to be able to speak to police officers face to face.

Mr Hague: People want to be able to speak to police officers, and the latest prediction is that the proportion of police officers working in operational front-line roles will increase from 89% at the beginning of this Parliament to 92% by early next year. Victim satisfaction with their experience with the police has also gone up, from 82% to 85%. The number of neighbourhood police officers is up by nearly 6,000 under the current Government. These are all important improvements. Of course, when the Home Secretary is here answering questions, the hon. Gentleman will be able to ask about the particular issue he has raised.

John Stevenson (Carlisle) (Con): The Government rightly believe that investment in infrastructure is vital to the long-term economic success of our country. Cumbria has good north-south connectivity, but transport infrastructure within Cumbria is poor, particularly on roads such as the A595. Will the Leader of the House agree to a debate on the required investment needs for Cumbria in the next few years, particularly as there is a prospect of a new nuclear build in Cumbria?

Mr Hague: My hon. Friend always speaks up very effectively for Cumbria. He will know that last year the Government committed to trebling investment in major new road enhancements from today's levels. The Highways Agency has been consulting all concerned since then. The Chancellor is due to announce the roads investment strategy in the autumn statement in two weeks' time. That will cover infrastructure requirements for strategic roads in Cumbria.

Bob Blackman (Harrow East) (Con): Earlier this week, my hon. Friend the Member for Ruislip, Northwood and Pinner (Mr Hurd) and I held a meeting with our local clinical commissioning group and representatives of the patients monitoring group to address the historical underfunding of health services in Harrow. We were pleased that there was a plan to address this issue, but sadly we will be into the third term of this Government before we actually achieve parity in funding compared with our neighbours. May we have an urgent statement on the funding of CCGs across the country so that we can address issues of fairness and equality?

Mr Hague: I am sure there will be many strong feelings in different parts of the country about relative levels of funding for CCGs, including in north Yorkshire in my constituency, and of course it is a legitimate subject to put forward for debate, including through the Backbench Business Committee. My hon. Friend could also pursue it with Ministers during Health questions next Tuesday.

Andrew Stephenson (Pendle) (Con): In March, a new £9 million urgent care centre opened at Burnley general hospital; in July, a new £4 million health centre opened in Colne; and soon we will see a new £6.3 million accident and emergency department opening at Airedale hospital. May we have a debate on investing in our NHS so that I can highlight these improvements, which were made possible by the decisions taken by this Government?

Mr Hague: My hon. Friend has already been extremely effective in highlighting those investments, which are an example of what is happening in many parts of the country. I know from visiting his constituency how strong and effective a champion he has been for additional investment in health care facilities there.

Andrew Jones (Harrogate and Knaresborough) (Con): Last week, I visited Resimac, an industrial coatings business based in Boroughbridge in my constituency, which is seeing excellent export growth, reaching 40 countries in just four years of operation. It highlighted a Government finance scheme called EUREKA as an indicator of its success. May we have a debate about the support for small businesses and exporting and what more can be done to help companies such as Resimac get out there and sell their products across the world?

Mr Hague: That is an important issue, and although we might not be able to have a debate in the immediate future, I can tell my hon. Friend that last year UK Trade & Investment supported 48,000 companies, versus 27,000 just four years ago, 89% of which were small businesses. In addition, there are new programmes, such as the passport to export and the gateway to global growth services, while UK Export Finance has doubled its number of advisers. As his question highlights, it is important that small businesses know that such services are available.

Point of Order

11.17 am

Paul Flynn (Newport West) (Lab): On a point of order, Mr Speaker. To ensure that the House was not inadvertently misled, may I put it on the record that the BBC, *The Telegraph* and *The Times* have reported that on a visit to Camp Bastion, on 16 December 2013, the Prime Minister, talking about the Afghan war, described it as “mission accomplished”?

Mr Speaker: I am grateful to the hon. Gentleman, who, through a point of order, has put the facts, as he understands them, on the record.

Backbench Business

Money Creation and Society

11.18 am

Steve Baker (Wycombe) (Con): I beg to move,
That this House has considered money creation and society.

The methods of money production in society today are profoundly corrupting in ways that would matter to everyone if they were clearly understood. The essence of this debate is: who should be allowed to create money, how and at whose risk? It is no wonder that it has attracted support from across the political spectrum, although, looking around the Chamber, I think that the Rochester and Strood by-election has perhaps taken its toll. None the less, I am grateful to right hon. and hon. Friends from all political parties, including the hon. Members for Clacton (Douglas Carswell) and for Brighton, Pavilion (Caroline Lucas) and the right hon. Member for Oldham West and Royton (Mr Meacher), for their support in securing this debate.

One of the most memorable quotes about money and banking is usually attributed to Henry Ford:

“It is well enough that people of the nation do not understand our banking and monetary system, for if they did I believe there would be a revolution before tomorrow morning.”

Let us hope we do not have a revolution, as I feel sure we are all conservatives on that issue.

How is it done? The process is so simple that the mind is repelled. It is this:

“Whenever a bank makes a loan, it simultaneously creates a matching deposit in the borrower’s bank account, thereby creating new money.”

I have been told many times that this is ridiculous, even by one employee who had previously worked for the Federal Deposit Insurance Corporation of the United States. The explanation is taken from the Bank of England article, “Money creation in the modern economy”, and it seems to me it is rather hard to dismiss.

Today, while the state maintains a monopoly on the creation of notes and coins in central bank reserves, that monopoly has been diluted to give us a hybrid system because private banks can create claims on money, and those claims are precisely equivalent to notes and coins in their economic function. It is a criminal offence to counterfeit bank notes or coins, but a banking licence is formal permission from the Government to create equivalent money at interest.

There is a wide range of perspectives on whether that is legitimate. The Spanish economist, Jesús Huerta de Soto explains in his book “Money, Bank Credit and Economic Cycles” that it is positively a fraud—a fraud that causes the business cycle. Positive Money, a British campaigning group, is campaigning for the complete nationalisation of money production. On the other hand, free banking scholars, George Selgin, Kevin Dowd and others would argue that although the state might define money in terms of a commodity such as gold, banking should be conducted under the ordinary commercial law without legal privileges of any kind. They would allow the issue of claims on money proper, backed by other assets—provided that the issuer bore

[Steve Baker]

all of the risk. Some want the complete denationalisation of money. Cryptocurrencies are now performing the task of showing us that that is possible.

The argument that banks should not be allowed to create money has an honourable history. The Bank Charter Act 1844 was enacted because banks' issue of notes in excess of gold was causing economic chaos, particularly through reckless lending and imprudent speculation. I am once again reminded that the only thing we learn from history is that we learn nothing from history.

Thomas Docherty (Dunfermline and West Fife) (Lab): I welcome today's debate. The hon. Gentleman makes a valid point about learning from history. Does he agree with me that we should look seriously at putting this subject on the curriculum so that young people gain a better understanding of the history of this issue?

Steve Baker: That is absolutely right. It would be wonderful if the history curriculum covered the Bank Charter Act 1844. I would be full of joy about that, but we would of course need to cover economics, too, in order for people to really understand the issue. Since the hon. Gentleman raises the subject, there were ideas at the time of that Act that would be considered idiocy today, while some ideas rejected then are now part of the economic mainstream. Sir Robert Peel spent some considerable time emphasising that the definition of a pound was a specific quantity and quality of gold. The notion that anyone could reject that was considered ridiculous. How times change.

One problem with the Bank Charter Act 1844 was that it failed to recognise that bank deposits were functioning as equivalent to notes, so it did not succeed in its aim. There was a massive controversy at the time between the so-called currency school and the banking school. It appeared that the currency school had won; in fact, in practice, the banks went on to create deposits drawn by cheque and the ideas of the banking school went forward. The idea that one school or the other won should be rejected; the truth is that we have ended up with something of a mess.

We are in a debt crisis of historic proportions because for far too long profit-maximising banks have been lending money into existence as debt with too few effective restraints on their conduct and all the risks of doing so forced on the taxpayer by the power of the state. A blend of legal privilege, private interest and political necessity has created, over the centuries, a system that today lawfully promotes the excesses for which capitalism is so frequently condemned. It is undermining faith in the market economy on which we rely not merely for our prosperity, but for our lives.

Thankfully, the institution of money is a human, social institution and it can be changed. It has been changed and I believe it should be changed further. The timing of today's debate is serendipitous, with the Prime Minister explaining that the warning lights are flashing on the dashboard of the world economy, and it looks like quantitative easing is going to be stepped up in Europe and Japan, just as it is being ramped out in America—and, of course, it has stopped in the UK. If anything, we are not at the end of a great experiment

in monetary policy; we are at some mid point of it. The experiment will not be over until all the quantitative easing has been unwound, if it ever is.

We cannot really understand the effect of money production on society without remembering that our society is founded on the division of labour. We have to share the burden of providing for one another, and we must therefore have money as a means of exchange and final payment of debts, and also as a store of value and unit of account. It is through the price system that money allows us to reckon profit and loss, guiding entrepreneurs and investors to allocate resources in the way that best meets the needs of society. That is why every party in the House now accepts the market economy. The question is whether our society is vulnerable to false signals through that price system, and I believe that it is. That is why any flaws in our monetary arrangements feed into the price system and permeate the whole of society. In their own ways, Keynes and Mises—two economists who never particularly agreed with one another—were both able to say that currency debasement was the best way in which to overturn the existing basis of society.

Even before quantitative easing began, we lived in an era of chronic monetary inflation, unprecedented in the industrial age. Between 1991 and 2009, the money supply increased fourfold. It tripled between 1997 and 2010, from £700 billion to £2.2 trillion, and that accelerated into the crisis. It is simply not possible to increase the money supply at such a rate without profound consequences, and they are the consequences that are with us today, but it goes back further. The House of Commons Library and the Office for National Statistics produced a paper tracing consumer price inflation back to 1750. It shows that there was a flat line until about the 20th century, when there was some inflation over the wars, but from 1971 onwards, the value of money collapsed. What had happened? The Bretton Woods agreement had come to an end. The last link to gold had been severed, and that removed one of the most effective restraints on credit expansion. Perhaps in another debate we might consider why.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): Does the hon. Gentleman agree that the end of the gold standard and the increased supply of money enabled business, enterprise and the economy to grow? Once we were no longer tied to the supply of gold, other avenues could be used for the growth of the economy.

Steve Baker: The hon. Gentleman has made an important point, which has pre-empted some of the questions that I intended to raise later in my speech. There is no doubt that the period of our lives has been a time of enormous economic, social and political transformation, but so was the 19th century, and during that century there was a secular decline in prices overall.

The truth is that any reasonable amount of money is adequate if prices are allowed to adjust. We are all aware of the phenomenon whereby the prices of computers, cars, and more or less anything else whose production is not determined by the state become gently lower as productivity increases. That is a rise in real living standards. We want prices to become lower in real terms compared to wages, which is why we argue about living standards.

Sir William Cash (Stone) (Con): My hon. Friend is making an incredibly important speech. I only wish that more people were here to listen to it. I wonder whether he has read Nicholas Wapshott's book about Hayek and Keynes, which deals very carefully with the question that he has raised. Does he agree that the unpleasantness of the Weimar republic and the inflationary increase at that time led to the troubles with Germany later on, but that we are now in a new cycle which also needs to be addressed along the lines that he has just been describing?

Steve Baker: I am grateful to my hon. Friend. What he has said emphasises that the subject that is at issue today goes to the heart of the survival of a free civilisation. That is something that Hayek wrote about, and I think it is absolutely true.

If I were allowed props in the Chamber, Mr Speaker, I might wave this 100 trillion Zimbabwe dollar note. You can hold bad politics in your hand: that is the truth of the matter. People try to explain that hyperinflation has never happened just through technocratic error, and that it happens in the context of, for example, extremely high debt levels and the inability of politicians to constrain them. In what circumstances do we find ourselves today, when we are still borrowing broadly triple what Labour was borrowing?

Ann McKechin (Glasgow North) (Lab): I am interested to hear what the hon. Gentleman is saying. He will be aware that the balance between wages and capital has shifted significantly in favour of capital over the past 30 years. Does he agree that the way in which we tax and provide reliefs to capital is key to controlling that balance? Does he also agree that we need to do more to increase wage levels, which have historically been going down in relation to capital over a long period of time?

Steve Baker: I think I hear the echoes of a particularly fashionable economist there. If the hon. Lady is saying that she would like rising real wage levels, of course I agree with her. Who wouldn't? I want rising real wage levels, but something about which I get incredibly frustrated is the use of that word "capital". I have heard economists talk about capital when what they really mean is money, and typically what they mean by money is new bank credit, because 97% of the money supply is bank credit. That is not capital; capital is the means of production. There is a lengthy conversation to be had on this subject, but if the hon. Lady will forgive me, I do not want to go into that today. I fear that we have started to label as capital money that has been loaned into existence without any real backing. That might explain why our capital stock has been undermined as we have de-industrialised, and why real wages have dropped. In the end, real wages can rise only if productivity increases, and that means an increase in the real stock of capital.

To return to where I wanted to go: where did all the money that was created as debt go? The sectoral lending figures show that while some of it went into commercial property, and some into personal loans, credit cards and so on, the rise of lending into real productive businesses excluding the financial sector was relatively moderate. Overwhelmingly, the new debt went into mortgages and the financial sector. Exchange and the distribution of wealth are part of the same social process. If I buy an apple, the distribution of apples and money will change. Money is used to buy houses, and we

should not be at all surprised that an increased supply of money into house-buying will boost the price of those homes.

Mr Ronnie Campbell (Blyth Valley) (Lab): This is a great debate, but let us talk about ordinary people and their labour, because that involves money as well. To those people, talking about how capitalism works is like talking about something at the end of the universe. They simply need money to survive, and anything else might as well be at the end of the universe.

Steve Baker: The hon. Gentleman is quite right, and I welcome the spirit in which he asks that question. The vast majority of us, on both sides of the House, live on our labour. We work in order to obtain money so that we can obtain the things we need to survive.

The hon. Gentleman pre-empts another remark that I was going to make, which is that there is a categorical difference between earning money through the sweat of one's brow and making money by just creating it when lending it to someone in exchange for a claim on the deeds to their house. Those two concepts are fundamentally, categorically different, and this goes to the heart of how capitalism works. I appreciate that very little of this would find its way on to an election leaflet, but it matters a great deal nevertheless. Perhaps I shall need to ask my opponent if he has followed this debate.

My point is that if a great fountain of new money gushes up into the financial sector, we should not be surprised to find that the banking system is far wealthier than anyone else. We should not be surprised if financing and housing in London and the south-east are far wealthier than anywhere else. Indeed, I remember that when quantitative easing began, house prices started rising in Chiswick and Islington. Money is not neutral. It redistributes real income from later to earlier owners—that is, from the poor to the rich, on the whole. That distribution effect is key to understanding the effect of new money on society. It is the primary cause of almost all conflicts revolving around the production of money and around the relations between creditors and debtors.

Sir William Cash: My hon. Friend might be aware that, before the last general election, my right hon. Friend the Member for Wokingham (Mr Redwood) and I and one or two others attacked the Labour party for the lack of growth and expressed our concern about the level of debt. If we add in all the debts from Network Rail, nuclear decommissioning, unfunded pension liabilities and so on, the actual debt is reaching extremely high levels. According to the Government's own statements, it could now be between £3.5 trillion and £4 trillion. Does my hon. Friend agree that that is extremely dangerous?

Steve Baker: It is extremely dangerous and it has been repeated around the world. An extremely good book by economist and writer Philip Coggan, of *The Economist*, sets out just how dangerous it is. In "Paper Promises: Money, Debt and the New World Order"; a journalist from *The Economist* seriously suggests that this huge pile of debt created as money will lead to a wholly new monetary system.

I have not yet touched on quantitative easing, and I will try to shorten my remarks, Mr Speaker, but the point is this: having lived through this era where the

[Steve Baker]

money supply tripled through new lending, the whole system, of course, blew up—the real world caught up with this fiction of a monetary policy—and so QE was engaged in. A paper from the Bank of England on the distributional effects of monetary policy explains that people would have been worse off if the Bank had not engaged in QE—it was, of course, an emergency measure. But one thing the paper says is that asset purchases by the Bank

“have pushed up the price of equities by as least as much as they have pushed up the price of gilts.”

The Bank’s Andy Haldane said, “We have deliberately inflated the biggest bond market bubble in history.”

Mr Jim Cunningham (Coventry South) (Lab): What is the hon. Gentleman’s view of QE? How does he see it fitting into the great scheme of things?

Steve Baker: As I am explaining, QE is a great evil; it is a substitute for proper reform of the banking system. But this is the point: if the greatest bubble has been blown in the bond markets and equities have been pushed up by broadly the same amount, that is a terrible risk to the financial system.

Mr MacNeil: Surely there is a difference depending on where the QE goes. In an economy that has a demand deficit and needs demand to be stimulated, if QE goes into the pockets of those who are going to spend the money, surely QE can create some more motion in the economy, but if QE goes into already deep pockets and makes them larger and deeper, that is a very different thing.

Steve Baker: Again, the hon. Gentleman touches on an interesting issue. Once the Bank legitimises the idea of money creation and giving it to people in order to get the economy going, the question then arises: if you are going to create it and give it away, why not give it to other people? That then goes to the question: what is money? I think it is the basis of a moral existence, because in our lives we should be exchanging value for value. One problem with the current system is that we are not doing that; something is being created in vast quantities out of nothing and given away. The Bank explains that 40% of the assets that have been inflated are held by 5% of households, with 80% held by people over 45. It seems clear that QE—a policy of the state to intervene deeply in money—is a deliberate policy of increasing the wealth of people who are older and wealthier.

Mr MacNeil: One word the hon. Gentleman used was “moral”, and he touches on what the economist Paul Krugman will say: some on the right see the recession and so on as a morality play, and confuse economics and morals. Sometimes getting things going economically is not about the straightforward “morality” money the hon. Gentleman has touched on. That could be one reason why the recovery is taking so long.

Steve Baker: I am conscious that I have already used slightly more time than I intended, Mr Speaker, and I have a little more to say because of these interventions. All these subjects, as my bookshelves attest, are easily

capable of being explained over hundreds of pages. My bottom line on this is: I want to live in a society where even the most selfish person is compelled by our institutions to serve the needs of other people. The institution in question is called a free market economy, because in a free market economy people do not get any bail-outs and do not get to live at somebody else’s expense; they have to produce what other people want. One thing that has gone wrong is that those on the right have ended up defending institutions that are fundamentally statist.

Douglas Carswell (Clacton) (UKIP): I congratulate the hon. Gentleman on bringing this important subject to the attention of the House. Does he agree that, far from shoring up free market capitalism, the candy floss credit system the state is presiding over replaces it with a system of crony corporatism that gives capitalism a bad name and undermines its very foundations?

Steve Baker: I am delighted to agree with my hon. Friend—he is that, despite the fact I will not be seeing Nigel later. We have ended up pretending that the banking system and the financial system is a free market when the truth is that it is the most hideous corporatist mess. What I want is a free market banking system, and I will come on to discuss that.

I wanted to make some remarks about price signals, but I will foreshorten them, and try to cover the issue as briskly as I can—it was the subject of my maiden speech. Interest rates are a price signal like any other. They should be telling markets about people’s preferences for goods now compared with goods later. If they are deliberately manipulated, they will tell entrepreneurs the wrong thing and will therefore corrupt people’s investment decisions. The bond and equity markets are there to allocate capital. If interest rates are manipulated and if new money is thrown into the system, prices get detached from the real world values they are supposed to be connected to—what resources are available, what technology is available, what people prefer. The problem is that these prices, which have been detached from reality, continue to guide entrepreneurs and investors, but if they are now guiding entrepreneurs and investors in a direction that takes them away from the real desires of the public and the available resources and the technology, we should not then be surprised if we end up with a later disaster.

In short, after prices have been bid up by a credit expansion, they are bound to fall when later the real world catches up with it. That is why economies are now suffering this wrecking ball of inflation followed by deflation, and here is the rub: throughout most of my life, the monetary policy authorities have responded to these corrections by pumping in more new money—previously through ever cheaper credit, and now through QE. This raises the question of where this all goes, and brings me back to the point my hon. Friend the Member for Stone (Sir William Cash) provoked from me: that this might be pointing towards an end of this monetary order. That is not necessarily something to be feared, because the monetary order changed several times in the 20th century.

We have ended up in something of a mess. The Governor said about the transition once interest rates normalise:

“The orderliness of that transition is an open question.”

I believe the Governor is demonstrating the optimism appropriate to his role, because I think it is extremely unlikely that we will have an orderly transition once interest rates start to normalise. The problem is basically that Governments want to spend too much money. That has always been the case throughout history. Governments used to want to fund wars. Now, for all good, moral, decent, humanitarian reasons, we want to fund health, welfare and education well beyond what the public will pay in taxes. That has meant we needed easy money to support the borrowing.

What is to be done? A range of remedies are being proposed. Positive Money proposes the complete nationalisation of the production of money, some want variations on a return to gold, perhaps with free banking, and some want a spontaneous emergence of alternative moneys like Bitcoin.

I would just point out that Walter Bagehot is often prayed in aid of central banking policy, but his book "Lombard Street" shows that he did not support central banking; he thought it was useless to try to propose any change. What we see today is that, with alternative currencies such as Bitcoin spontaneously emerging, it is now possible through technology that, within a generation, we will not all be putting our money in a few big mega-banks, held as liabilities, issued out of nothing.

I want to propose three things the Government can practically do. First, the present trajectory of reform should be continued with. After 15 years of studying these matters, and now having made it to the Treasury Committee, I am ever more convinced that there is no way to change the present monetary order until the ideas behind it have been tested to destruction—and I do mean tested to destruction. This is an extremely serious issue. It will not change until it becomes apparent that the ideas behind the system are untenable.

Secondly, and very much with that in mind, we should strongly welcome proposals from the Bank's chief economist, Andy Haldane, that it will commission "anti-orthodox research", and it will

"put into the public domain research and analysis which as often challenges as supports the prevailing policy orthodoxy on certain key issues."

That research could make possible fundamental monetary reform in the event of another major calamity.

Thirdly, we should welcome the Chancellor's recent interest in crypto-currencies and his commitment to make Britain a "centre of financial innovation." Imperfect and possibly doomed as it may be, Bitcoin shows us that peer-to-peer, non-state money is practical and effective. I have used it to buy an accessory for a camera; it is a perfectly ordinary legal product and it was easier to use than a credit card and it showed me the price in pounds or any other currency I liked. It is becoming possible for people to move away from state money.

Every obstacle to the creation of alternative currencies within ordinary commercial law should be removed. We should expand the range of commodities and instruments related to those commodities that are treated like money, such as gold. That should include exempting VAT and capital gains tax and it should be possible to pay tax on those new moneys. We must not fall into the same trap as the United States of obstructing innovation. In the case of the Liberty Dollar and Bernard von NotHaus, it

seems that a man may spend the rest of his life in prison simply for committing the supposed crime of creating reliable money.

Finally, we are in the midst of an unprecedented global experiment in monetary policy and debt. It is likely, as Philip Coggan set out, that this will result in a new global monetary order. Whether it will be for good or ill, I do not know, but as technology and debt advance, I am sure that we should be ready for a transformation. Society has suffered too much already under the present monetary orthodoxy; free enterprise should now be allowed to change it.

11.45 am

Mr Michael Meacher (Oldham West and Royton) (Lab): I, too, strongly congratulate the hon. Member for Wycombe (Steve Baker) on securing this debate, which everyone recognises is vital and which has not been debated in this House for 170 years, since Sir Robert Peel's Bank Charter Act 1844. The hon. Gentleman drew that fact to my attention when we were last speaking in a similar debate. That Act prohibited the private banks from printing paper money. In light of the financial crash of 2008-09 and the colossal expansion of money supply that underpinned it—no less than a twenty-two-fold increase in the 30 neo-liberal years between 1980 and 2010—the issue is whether that prohibition should be extended to include electronic money.

It is unfortunate that it is so little understood by the public that money is created by the banks every time they make a loan. In effect, the banks have a virtual monopoly—about 97%—over domestic credit creation, so they determine how money is allocated across the economy. That has led to the vast majority of money being channelled into property markets and the financial sector. According to Bank of England figures for the decade to 2007, 31% of additional money created by bank lending went to mortgage lending, 20% to commercial property, and 32% to the financial sector, including to mergers and acquisitions and trading and financial markets. Those are extraordinary figures.

Mr Jim Cunningham (Coventry South) (Lab): Given what my right hon. Friend has just said, is there not an argument, in this situation of unlimited credit from banks, for the Bank of England to intervene?

Mr Meacher: My hon. Friend anticipates the main line of my argument, so if he is patient I think I will be able to satisfy him. Crucially, only 8% of the money referred to went to businesses outside the financial sector, with a further 8% funding credit cards and personal loans.

Mr MacNeil: I hear what the right hon. Gentleman says about money going into building, housing and mortgages, but is that not because the holders of money reckon that they can get a decent return from that sector? They would invest elsewhere if they thought that they could get a better return. One reason why the UK gets a better return from that area than, say, Germany is that we have no rent controls. As a result, money is more likely to go into property than into developing industry, which is more likely to happen in Germany.

Mr Meacher: I very much agree with that argument. Again, I assure the hon. Gentleman that I will return to that matter later in my speech. He is absolutely right that the reason is the greater returns that the banks can get from the housing and rental sector. Our rental sector, which is different from that in Germany and other countries, is the cause of that.

It is only this last 16%—the 8% lent to businesses and the 8% to consumer credit—that has a real impact on GDP and economic growth. The conclusion is unavoidable: we cannot continue with a system in which so little of the money created by banks is used for the purposes of economic growth and value creation and in which, instead, to pick up on the point made by the hon. Member for Na h-Eileanan an Iar (Mr MacNeil), the overwhelming majority of the money created inflates property prices, pushing up the cost of living.

In a nutshell, the banks have too much power and they have greatly abused it. First, they have been granted enormous privileges since they can create wealth simply by writing an accounting entry on a register. They decide who uses that wealth and for what purpose and they have used their power of credit creation hugely to favour property and consumption lending over business investment because the returns are higher and more secure. Thus the banks maximise their own interests but not the national interest.

Secondly, if they fail to meet their liabilities, the banks are not penalised. Someone else pays up for them. The first £85,000 of deposits are covered by a guarantee underwritten by the state and in the event of a major financial crash they are bailed out by the implicit taxpayer guarantee—

Steve Baker *rose*—

Mr Meacher: Let me finish, and I will of course give way.

The banks have been encouraged by that provision into much more risky, even reckless, investment, especially in the case of exotic financial derivatives—

Mr Jim Cunningham *rose*—

Mr Meacher: Members are beginning to queue up to intervene, but let me finish my point first.

The banks have been encouraged even to the point at which after the financial crash of 2008-09 the state was obliged to undertake the direct bail-out costs of nearly £70 billion as well as to provide a mere £1 trillion in support of loan guarantees, liquidity schemes and asset protection arrangements.

Steve Baker: I wholly agree with the right hon. Gentleman. The moral hazard problem is absolutely enormous and one of the most fundamental problems. However, the British Bankers Association picked me up when I said it was a state-funded deposit insurance scheme and told me it was industry-funded. I think the issue now is that nobody really believes for a moment that the scheme will not be back-stopped by the taxpayer.

Mr Meacher: As always, I am grateful for the intervention from the hon. Gentleman—let me call him my hon. Friend, as I think that on this issue he probably is.

Mr Jim Cunningham: On the question of banks investing in the property market, does my right hon. Friend think we could learn anything from the United States and the collapse of Fannie Mae? Are we in a similar situation?

Mr Meacher: Again, that takes me down a different path, but there is considerable read-across.

Douglas Carswell: The right hon. Gentleman has been absolutely magnificent in diagnosing the problem, but when it comes to the solution and passing power away from banks, rather than passing the power upwards to a regulator or to the state, would he entertain the idea of empowering the consumer who deposits money with the bank? Surely the real failure is that the Bank Charter Act 1844 does not give legal ownership of deposits to the person paying money into the bank. The basis of fractional-reserve banking is the legal ownership the bank has when money is paid in. If we tackle that, the power will pass from the big state-subsidised corporations and banks outwards to the wider economy.

Mr Meacher: I have great sympathy with what the hon. Gentleman is saying—

Ms Diane Abbott (Hackney North and Stoke Newington) (Lab) *rose*—

Mr Meacher: One at a time, please. I was going to say a little bit more than that I had sympathy with what the hon. Member for Clacton (Douglas Carswell) said.

I will argue that the capacity to regulate an increasingly and exceedingly complex financial sector is not the proper way, and I will propose an alternative solution. I am strongly in favour of structural changes that enable people to achieve greater control over the money that they have contributed.

Ms Abbott: I was intrigued to hear my right hon. Friend mention depositor protection. Is he saying that he is against any form of depositor protection?

Mr Meacher: The protection of deposits is up to £85,000 and is underwritten by the state.

Ms Abbott: Is my right hon. Friend against?

Mr Meacher: I am neither for nor against. I am making the point that the arrangement encourages the banks to increase their risk taking. If they are caught out, for each depositor £85,000 is guaranteed by the state. I agree with the hon. Member for Wycombe that we need much wider structural change. It is not a question of tweaking one thing here or there.

The question at the heart of the debate is who should create the money? Would Parliament ever have voted to delegate power to create money to those same banks that caused the horrendous financial crisis that the world is still suffering? I think the answer is unambiguously no. The question that needs to be put is how we should achieve the switch from unbridled consumerism to a framework of productive investment capable of generating a successful and sustainable manufacturing and industrial base that can securely underpin UK living standards.

Two models have hitherto been used to operate such a system. One was the centralised direction of finance, which was used extremely successfully by several Asian countries, especially the south-east Asian so-called tiger

economies, after the second world war, to achieve take-off. I am not suggesting that that method is appropriate for us today. It is not suited to advanced industrial democracies. The other method was to bring about through official “guidance” the rationing of bank credit in accordance with national targets and, where necessary, through quantitative direct controls. In the post-war period, that policy worked well in the UK for a quarter of a century, until the 1970s when it was steadily replaced by the purely market system of competition and credit control based exclusively on interest rates. In our experience of the past 30 or 40 years, that has proved deeply unstable, dysfunctional and profoundly costly.

Since then there have been sporadic attempts to create a safer banking system, but these have been deeply flawed. Regulation under the dictates of the neo-liberal ideology has been so light-touch—by new Labour just as much as by the other Government—that it has been entirely ineffective. Regulation has been too detailed. I remind the House that Basel III has more than 400 pages, and the US Dodd-Frank Bill has a staggering 8,000 pages or more. It is impossibly bureaucratic and almost certainly full of loopholes. Other regulation has been so cautious—for example, the Vickers commission proposal for Chinese walls between the investment and retail arms of a bank—that it missed the main point. Whatever regulatory safeguards the authorities put in place faced regulatory arbitrage from the phalanx of lawyers and accountants in the City earning their ill-gotten bonuses by unpicking or circumventing them.

Mr Ronnie Campbell (Blyth Valley) (Lab): My right hon. Friend is always very good on these subjects. Would I be going too far if I were to suggest that we should nationalise the City, nationalise the banks and run ourselves a Government on behalf of the people?

Mr Meacher: Public ownership of the banks is a significant issue, but I am not going to propose it in my speech. It would be a mistake to return RBS and Lloyds to the private sector, and the arguments about Barclays and HSBC need to be made, but not in this debate. I shall suggest an alternative solution that removes the power of money creation from the banks and puts it in different hands to ensure better results in the national interest.

Against that background, there are solid grounds for examining—this is where I come to my proposal—the creation of a sovereign monetary system, as recommended by several expert commentators recently. Martin Wolf, who, as everyone in this House will know, is an influential chief economics commentator for the *Financial Times*, wrote an article a few months ago—on 24 April, to be precise—entitled, “Strip private banks of their power to create money”. He recommends switching from bank-created debt to a nationalised money supply.

Lord Adair Turner, the former chair of the Financial Services Authority, delivered a speech about 18 months ago, in February 2013, discussing an alternative to quantitative easing that he termed “overt money finance,” which is also known as a form of sovereign money. Such a system—I will describe its main outline—would restrict the power to create all money to the state via the central bank. Changes to the rules governing how banks operate would still permit them to make loans, but would make it impossible for them to create new money in the

process. The central bank would continue to follow the remit set by the Chancellor of the Exchequer, which is currently to deliver price stability, which is defined at the present time as an inflation target of 2%. The central bank would be exclusively responsible for creating as much new money as was necessary to support non-inflationary growth. Decisions on money creation would be taken independently of Government by a newly formed money creation committee or by the existing Monetary Policy Committee, either of which would be accountable to the Treasury Committee. Accountability to the House is crucial to the whole process.

Mr Jim Cunningham: Going back to the question I asked my right hon. Friend earlier, what would be the role of the Bank of England?

Mr Meacher: I will come on to explain that. The Bank of England has an absolutely crucial role to play. If my hon. Friend listens to the last bit of my speech, he will get a full answer to that question.

A sovereign money system thus offers—if I may say this—a clear thermostat to balance the economy, which is notoriously lacking at present. In times when the economy is in recession or growth is slow, the money creation committee would be able to increase the rate of money creation, to boost aggregate demand. If growth is very high and inflationary pressures are increasing, it could slow down the rate of money creation. That would be a crucial improvement over the current system, whereby the banks either produce too much mortgage credit in a boom because of the high profit prospects, which produces a housing bubble and raises house prices, or produce too little credit in a recession, which exacerbates the lack of demand.

Lending to businesses is central to this whole debate.

Derek Twigg (Halton) (Lab): I want to take my right hon. Friend back to when he mentioned accountability to Parliament and the Select Committee. Could he enlarge on that point? On accountability, what powers would Parliament have to ensure that his proposal was being followed through properly and the rules were being laid down?

Mr Meacher: The purpose of accountability to the Treasury Committee would be to enable Parliament fully to explore the manner in which the money creation committee or the Monetary Policy Committee was working. I would anticipate a full three-hour discussion with the leading officials of those committees before the Treasury Committee, and if necessary they could be given a hard time. Certainly, the persons in this House who are most competent to deal with the matter would make clear their priorities, and where they thought the money creation committee was not paying sufficient attention to the way in which it was operating, and they would suggest changes. They would not have the power formally to compel the money creation committee to change, but I think the whole point about Select Committees, which are televised and discussed in the media, is that they have a very big effect. That would be a major change compared with what we have at present. Like all systems, if it is inadequate it can be modified, changed and increasingly enforced.

Sir William Cash: With reference to the Treasury Committee, does the right hon. Gentleman see a potential role for some form of joint Committee, perhaps with the Public Accounts Committee, whose origins are to do with taxation and spending? Does he think that broadening scrutiny a little in that direction might be helpful so that we get the full benefit of the all-party agreement of both Committees?

Mr Meacher: That is a helpful intervention. Although it is a relatively big part of what I am proposing, it is not for me to suggest exactly what the structure of accountability should be. I would be strongly in favour of increasing it as the hon. Gentleman proposes. Until this House is content that it has a proper channel of accountability which is effective in terms of the way our financial system is run, we should bring in further changes to the structure of accountability as may be necessary, such as along the lines that he suggests.

On lending to businesses, the experience that we have had in the past half-decade has been very unsatisfactory. Under a sovereign monetary system, the central bank would be empowered to create money for the express purpose of that funding role. The money would be lent to banks with the requirement that the funds were used for productive purposes, whereas lending for speculative purposes—for example, to purchase pre-existing assets, either financial or property—would not be allowed. The central bank could also create and lend funds to other intermediaries—the hon. Member for Wycombe referred to this—such as regional or publicly owned business banks, which would ensure that a floor could be placed under the level of lending to businesses, which would be a great relief to British business, guaranteeing support for the real economy.

To avoid misunderstanding, I should add that within the limits imposed by the central bank on the broad purposes for which money may be lent, lending decisions would be entirely at the discretion of the lending institutions, not of the Government or the central bank.

I believe that a sovereign monetary system offers very considerable advantages over the current system. First, it would create a better and safer banking system because banks would have an incentive to take lower levels of risk, as there would be no option of a bail-out or rescue from taxpayers and thus moral hazard would be reduced. Secondly, it would increase economic stability because money creation by banks tends to be pro-cyclical, as I explained, whereas money creation by the central bank would be counter-cyclical. Thirdly, sovereign money crucially supports the real economy, whereas under the current system 83% of lending does not at present go into productive investment. I underline that three times.

Ann McKechin: My right hon. Friend said that the aim would be to reduce risk and for banks to be more cautious, but if we are to encourage innovation in manufacturing, would we not require an investment bank at state level that could fund the riskier levels of innovation to ensure that they get to market, because they are not at the point where they would be commercially viable?

Mr Meacher: That is an extremely important point and, again, I strongly support it. The current Secretary of State for Business, Innovation and Skills has been

struggling to introduce a Government-supported business investment bank and has recently announced something along those lines. I think that should be greatly expanded. The book by Mariana Mazzucato, which I hope most of us have read, “The Entrepreneurial State”, shows the degree to which funding for major innovation, not just in this country but in many other countries which she cites, has been financed through the state because the private sector was not willing to take on board the risk involved. One understands that, but one does need to recognise that the role of the state is extremely important, and under a Labour Government I would like to see something like this being brought in.

Ian Murray (Edinburgh South) (Lab): My right hon. Friend makes a tremendous case for money creation and what we should be considering in this House, but I wonder whether there is also a cultural issue. Many businesses and lenders tell me that there is a cultural problem in the United Kingdom for businesses, particularly entrepreneurial businesses that we have heard about from my hon. Friend the Member for Glasgow North (Ann McKechin), with regard to giving away equity rather than creating debt—funding businesses through equity rather than debt. Other countries throughout Europe that are incredibly successful at giving away equity rather than creating debt have much more growth in their entrepreneurial economy.

Mr Meacher: That is perfectly true, and my hon. Friend makes an important point. The proposals that I am making would support that. There is a very different climate in this country, largely brought about by the churning in the City of London where profits have to be increased or reach a relevant size within a very short period, such as three or six months. Most entrepreneurial businesses cannot possibly produce a decent profit within that period, so the current financial system does not encourage what my hon. Friend wants. These proposals would make money creation available to those we really want to support much more fully than at present.

Fourthly, under the current system, house price bubbles transfer wealth, as we all know, from the young to the old and from those who cannot get on the property ladder to existing house owners, which increases wealth inequality, while removing the ability of banks to create money should dampen house price rises and thus reduce the rate of wealth inequality.

My fifth and last point, which I think is very important, is that sovereign money redresses a major democratic deficit. Under the current system, around just 80 board members across the largest five banks make decisions that shape the entire UK economy, even though these individuals have no obligation or mandate to consider the needs of society or the economy as a whole, and are not accountable in any way to the public: it is for the maximisation of their own interests, not the national interest. Under sovereign money, the money creation committee would be highly transparent—we have discussed this already—and accountable to Parliament.

For all those reasons, the examination of the merits of a sovereign monetary system is now urgently needed, and I call on the Government to set up a commission on money and credit, with particular reference to the potential benefits of sovereign money, which offers a way out of

the continuing and worsening financial crises that have blighted this country and the whole international economy for decades.

12.13 pm

Mr Peter Lilley (Hitchin and Harpenden) (Con): It is a pleasure, as always, to follow the right hon. Member for Oldham West and Royton (Mr Meacher), who gave us a characteristically thoughtful and radical speech. I do not necessarily start from the same premises as him, but what he says is an important contribution to the debate, on the securing of which I credit my hon. Friend the Member for Wycombe (Steve Baker). He has done the House and the country a service by forcing us to focus on the issue of where money comes from and what banks do. He did so in an insightful way. Above all, he showed that he sees, as our old universities used to see, economics as a branch of moral sciences. It is not just a narrow, analytical, economic issue, but a moral, philosophical and ultimately a theological issue, which he illuminated well for the House.

A lot has been made of the ignorance of Members of Parliament of how money is created. I suspect that that ignorance, not just in Members of Parliament but in the intellectual elite in this country, explains many things, not least why we entered the financial crisis with a regulatory system that was so unprepared for a banking crisis. I suspect that it is because people have not reflected on why banks are so different from all other capitalist companies. They are different in three crucial respects, which is why they need a very different regulatory system from normal companies.

First, all bankers—not just rogue bankers but even the best, the most honourable and the most honest—do things that would land the rest of us in jail. Near my house in France is a large grain silo. After the harvest, farmers deposit grain in it. The silo gives them a certificate for every tonne of grain that they deposit. They can withdraw that amount of grain whenever they want by presenting that certificate. If the silo owner issued more certificates than there was grain kept in his silo, he would go to jail, but that is effectively what bankers do. They keep as reserves only a fraction of the money deposited with them, which is why we call the system the fractional reserve banking system. Murray Rothbard, a much neglected Austrian economist in this country, said very flatly that banking is therefore fraud: fractional reserve banking is fraud; it should be outlawed; banks should be required to keep 100% reserves against the money they lend out. I reject that conclusion, because there is a value in what banks do in transforming short-term savings into long-term investments. That is socially valuable and that is the function banks serve.

We should recognise the second distinctive feature of banks that arises directly from the fact that they have only a fraction of the reserves against the loans they make: banks, individually and collectively, are intrinsically unstable. They are unstable because they borrow short and lend long. I have been constantly amazed throughout the financial crisis to hear intelligent people say that the problem with Northern Rock, RBS or HBOS, or with the German, French, Greek and other banks that ran into problems, was the result of their borrowing short and lending long, and they should not have been doing it, as if it was a deviation from their normal role. Of course banks borrow short and lend long. That is what

banks do. That is what they are there for. If they had not done that they would not be banks. Banking works so long as too many depositors do not try to withdraw their funds simultaneously. However, if depositors, retail or wholesale, withdraw or refuse to renew their short-term deposits, a bank will fail.

If normal companies fail, there is no need for the Government to intervene. Their assets will be redeployed in a more profitable use or taken over by a better-managed company. But if one bank fails, depositors are likely to withdraw deposits from other banks, about which there may also be doubts. A bank facing a run, whether or not initially justified, would be forced to call in loans or sell collateral, causing asset prices to fall, thereby undermining the solvency of other banks. So the failure of one bank may lead to the collapse of the whole banking system.

The third distinctive feature of banks was highlighted by my hon. Friend the Member for Wycombe: banks create money. The vast majority of money consists of bank deposits. If a bank lends a company £10 million, it does not need to go and borrow that money from a saver; it simply creates an extra £10 million by electronically crediting the company's bank account with that sum. It creates £10 million out of thin air. By contrast, when a bank loan is repaid, that extinguishes money; it disappears into thin air. The total money supply increases when banks create new loans faster than old loans are repaid. That is where growth in the money supply usually comes from, and it is the normal situation in a growing economy. Ideally, credit should expand so that the supply of money grows sufficiently rapidly to finance growth in economic activity. When a bank or banks collapse, they will call in loans, which will reduce the money supply, which in turn will cause a contraction of activity throughout the economy.

In that respect, banks are totally different from other companies—even companies that also lend things. If a car rental company collapses, it does not lead to a reduction in the number of cars available in the economy. Its stock of cars can be sold off to other rental companies or to individuals. Nor does the collapse of one rental company weaken the position of other car rental companies; on the contrary, they then face less competition, which should strengthen their margins.

The collapse of a car rental company has no systemic implications, whereas the collapse of a bank can pull down the whole banking system and plunge the economy into recession. That is why we need a special regulatory regime for banks and, above all, a lender of last resort to pump in money if there is a run on the banks or a credit crunch, yet this was barely discussed when the new regulatory structure of our financial and banking system was set up in 1998. The focus then was on consumer protection issues. Systemic stability and the lender-of-last-resort function were scarcely mentioned. That is why the UK was so unprepared when the credit crunch struck in 2007. Nor were these aspects properly considered when the euro was set up. As a result, a currency and a banking system were established without the new central bank being given the power to act as lender of last resort. It has had to usurp that power, more or less illegally, but that is its own problem.

This analysis is not one of those insights that come from hindsight. Some while ago, Michael Howard, now the noble Lord Howard, reminded Parliament—and

[Mr Peter Lilley]

indeed me; I had completely forgotten—that I was shadow Chancellor when the Bill that became the Bank of England Act 1998 was introduced. He pointed out that I then warned the House that

“With the removal of banking control to the Financial Services Authority...it is difficult to see how...the Bank remains, as it surely must, responsible for ensuring the liquidity of the banking system and preventing systemic collapse.”

And so it turned out. I added:

“setting up the FSA may cause regulators to take their eye off the ball, while spivs and crooks have a field day.”—[*Official Report*, 11 November 1997; Vol. 300, c. 731-32.]

So that turned out, too. I could foresee that, because the problem was not deregulation, but the regulatory confusion and the proliferation of regulation introduced by the former Chancellor, which resulted from a failure to focus on the banking system’s inherent instability, and to provide for its stability.

This failure to focus on the fundamentals was not a peculiarly British thing. The EU made the same mistakes in spades when setting up the euro, and at the very apogee of the world financial system, they deluded themselves that instability was a thing of the past. In its “Global Financial Stability Report” of April 2006, less than 18 months before the crisis erupted, the International Monetary Fund, no less, said:

“There is growing recognition that the dispersion of credit risk by banks to a broader and more diverse group of investors, rather than warehousing such risk on their balance sheets, has helped to make the banking and overall financial system more resilient...The improved resilience may be seen in fewer bank failures and more consistent credit provision. Consequently, the commercial banks...may be less vulnerable today to credit or economic shocks.”

The supreme irony is that those at the pinnacle of the world regulatory system believed that the very complex derivatives that contributed to the collapse of the financial system would render it immune to such instability. We need constantly to be aware that banks are unstable, and are the source of money. If instability leads to a crash, that leads to a contraction in the money supply, and that can exacerbate and intensify a recession.

Bob Stewart (Beckenham) (Con): I am listening carefully to my right hon. Friend. Does that mean that the banks are uncontrollable, as things stand?

Mr Lilley: No; they can and should be controlled. They are controlled both by being required to have assets, and ultimately by the measures that Government should take to ensure that they do not expand lending too rapidly. That is the point that I want to come on to, because a failure to focus on the nature of banking and money creation causes confusion about the causes of inflation and the role of quantitative easing.

As too many people do not understand where money comes from, there is confusion about quantitative easing. To some extent, the monetarists, of whom I am one, are responsible for that confusion. For most of our lifetime, the basic economic problem has been inflation. There have been great debates about its causes. Ultimately, those debates were won by the monetarists. They said, “Inflation is caused by too much money—by money growing more rapidly than output. If that happens, inevitably and inexorably, prices will rise.” The trouble was that all too often, monetarists used the shorthand

phrase, “Inflation is caused by Government printing too much money.” In fact, it is caused not by Government printing the money, but by banks lending money and then creating new money at too great a rate for the needs of the economy. We should have said, “Inflation follows when Governments allow or encourage banks to create money too rapidly.” The inflationary problem was not who created the money, but the fact that too much money was created.

The banks are now not lending enough to create enough money to finance the growth and expansion of the economy that we need. That is why the central bank steps in with quantitative easing, which is often described as the bank printing money. Those who have been brought up to believe that printing money was what caused inflation think that quantitative easing must, by definition, cause inflation. It only causes inflation if there is too much of it—if we create too much money at a faster rate than the growth of output, and therefore drive up prices—but that is not the situation at present.

Mr MacNeil: The right hon. Gentleman is giving a very good explanation of the different circumstances in which money is created. He has spoken about the morality, and about quantitative easing. When there is demand, what is his view of the theory of helicopter money, and where that money gets spread to?

Mr Lilley: As a disciple of Milton Friedman, I am rather attracted to the idea of helicopter money; I think it was he who introduced the metaphor, and said that it would be just as effective if money were sprayed by a helicopter as if it were created by banks. Hopefully, as I live quite near the helicopter route to Battersea, I would be a principal recipient. I do not think that there is a mechanism available that would allow us to do that, but I am not averse to that in principle, if someone could do it. My point is that the banks, either spontaneously or encouraged by the central bank through quantitative easing, must generate enough money to ensure that the economy can grow steadily and stably.

Mr MacNeil: Could it not be argued that increasing welfare payments would be a form of helicopter money, because the people most likely to spend money are those with very little money? If we put money in the pockets of those who have little money, it would be very positive, because of the economic multiplier; the money would be spent, and would circulate, very quickly.

Mr Lilley: There are far better reasons for giving money to poor people than because their money will circulate more rapidly—and there is no evidence for that; I invite the hon. Gentleman to read Milton Friedman’s “A Theory of the Consumption Function”, which showed that that is all nonsense. There are good reasons for giving money to poor people, namely that they are poor and need money. Whether the money should be injected by the Government spending more than they are raising, rather than by the central bank expanding its balance sheet, is a moot point.

All I want to argue today is that we should recognise that the economy is as much threatened by a shortage of money as it is by an excess of money. For most of our lifetimes the problem has been an excess, but now it is a shortage. We therefore need to balance in either occasion

the rate of growth of money with the rate of growth of output if we are to have stability of prices and stable economic activity. I congratulate my hon. Friend the Member for Wycombe on bringing these important matters to the House's attention.

12.30 pm

Austin Mitchell (Great Grimsby) (Lab): I welcome this debate and congratulate hon. Friends on securing it, because we have not debated this matter for over 100 years, and it is time we did so. This House and the Government are obsessed with money and the economy, but we never debate the creation of money or credit, and we should, because, when it comes to our present economic situation and the way the banks and the economy are run, that is the elephant in the room. It is time to think not outside the box, but outside the banks; it is time to think about the creation of credit and money.

I speak as a renegade social creditor who is still influenced by social credit thinking; I do not pledge total allegiance to Major Douglas, but I am still influenced by him. As has just been pointed out, 93% of credit is created by the banks, and a characteristic of what has happened to the economy since the '70s is the enormous expansion of that credit. I have here a graph from Positive Money showing that the money created by the banks was £109 billion in 1980. Thanks to the financial reforms and the huge increase in the power of the banks since then, by 2010 that figure had risen to £2,213 billion, whereas the total cash created by the Government—the other 3%—had barely increased at all. Since 2000 we have seen the amount of money created by the banks more than double.

That has transformed the economy, because it has financialised everything and made money far more important. It has created debt-fuelled growth followed by collapse. It is being controlled by the banks, which have directed the money into property and financial speculation. Only 8% of the credit created has been lent to new businesses. The Government talk about the march of the makers, but the makers are not marching into the banks, because the banks are turning them away. Even commercial property is more important than makers. That has created a very lop-sided economy, with a weak industrial base that cannot pay the nation's way in the world because investment has been directed elsewhere, and a very unequal society, which has showered wealth on those at the top, as Piketty shows, and taken it away from those at the bottom.

A very undesirable situation is being created. We have built an unstable economy that is very exposed to risk and to bubble economics, thanks to the financialisation process that has gone on since 1979. The state allocates all credit creation to the banks and then has to bail them out and guarantee them, at enormous expense and with the creation of debt for the public, when the bubble bursts and they collapse.

Some argue—Major Douglas would have argued this—that credit should therefore be issued only by the state, through the Bank of England. That would probably be a step too far in the present situation, given our present lack of education, but we can and should create the credit issued by the banks. We can and should separate the banks' utility function—servicing our needs, with cheque books, pay and so on—and their speculative

role. The Americans have moved a step further, with the Volcker rule, but it is not quite strong enough. In this country we tend to rely on Chinese walls, which are not strong at all. I think that only a total separation of the banks' utility and speculative arms will do it, because Chinese walls are infinitely penetrable and are regularly penetrated.

We can limit the credit creation by the banks by increasing the reserve ratios, which are comparatively low at the moment—the Government have been trying to edge them up, but not sufficiently—or we could limit their power to create credit to the amount of money deposited with the banks as a salutary control. We could tax them on the hidden benefit they get from creating credit, because they get the signorage on the credit they create. If credit is created by banknotes and cash issued by the Government, the Government get the profit on that—the signorage. The banks just take the signorage on all the credit they issue and stash it away as a kind of hidden benefit, so why not tax that and give some of the profit from printing money to the state?

Martin Wolf, in an interesting article cited by my right hon. Friend the Member for Oldham West and Royton (Mr Meacher), has argued that only central banks should create new money and that it should be regulated by a public credit authority, rather like the Monetary Policy Committee. I think that that would be a solution and a possible approach. Why should we not regulate the issue of credit in that fashion?

That brings us back to the old argument about monetarism: whether credit creation is exogenous or endogenous. The monetarists thought that it was exogenous, so all we have to do is cut the supply of money into the economy in order to bring inflation under control. That was a myth, of course, because we cannot actually control the supply of money; it is endogenous. The economy, like a plant, sucks in the money it needs. But that can be regulated by a public credit authority so that the supply matches the needs of the economy, rather than being excessive, as it has been over the past few years. I think that that kind of credit authority needs to be created to regulate the flow of credit.

That brings me to the Government's economic policy. The Government tell us that they have a long-term economic plan, which of course is total nonsense. Their only long-term economic plan is slash and burn. The only long-term economic planning that has been done is by the Bank of England.

Mr MacNeil: To quote Harry S. Truman, the worst thing about economists is that they always say, "On the other hand". The hon. Gentleman talks about limiting and regulating how much money is to be sucked in by the economy, but who would decide that? The difficulty is that although the economy might be overheating in a certain part of the country, such as the south-east of England, it could be very cool in others, such as the north of Scotland. What might be the geographical effects of limiting the money going into the economic bloodstream if some parts of the plant—I am extending his metaphor—need the nutrients while other parts are getting too much?

Austin Mitchell: The hon. Gentleman often asks tricky questions, but this one is perfectly clear-cut. The credit supply for the peripheral and old industrial parts of the

[Austin Mitchell]

economy, which include Scotland, but also Grimsby, has been totally inadequate, and the banks have been totally reluctant to invest there. I once argued for helicopter money, as Simon Jenkins has proposed, whereby we stimulate the economy by putting money into helicopters and dropping it all over the country so that people will spend it. I would agree to that, provided that the helicopters hover over Grimsby, but I would have them go to Scotland as well, because it certainly deserves its share, as does the north of England. However, I do not want to get involved in a geographical dispute over where credit should be created.

The only long-term plan has been that of the Bank of England, which has kept interest rates flat to the floor for six years or so—an economy in that situation is bound to grow—and has supplemented that with quantitative easing. We have created £375 billion of money through quantitative easing. It has been stashed away in the banks, unfortunately, so it has served no great useful purpose. If that supply of money can be created for the purpose of saving the banks and building up their reserve ratios, it can be used for more important purposes—the development of investment and expansion in the economy. This is literally about printing money. Those of us with a glimmering of social credit in our economics have been told for decades, “You can’t print money—it would be terrible. It would be disastrous for the economy to print money because it leads to inflation.” Well, we have printed £375 billion of money, and it has not produced inflation. Inflation is falling.

Steve Baker *rose*—

Austin Mitchell: I am sorry—I am mid-diatribes and do not want to be interrupted.

It has proved possible to print money. The Americans have done it—there has been well over \$1 trillion of quantitative easing in the United States. The European Central Bank is now contemplating it, as Mr Draghi casts around for desperate solutions to the stagnation that has hit the eurozone. The Japanese, surprisingly, did it only last week. If all can do it, and if it has been successful here and has not led to inflation, we should be able to use it for more useful and productive economic purposes than shoring up the banks.

If we go on creating more money through quantitative easing, we should channel it through a national investment bank into productive investment such as contracts for house building and new town generation. Through massive infrastructure work—although I would not include HS2 in that—we can stimulate the economy, stimulate growth, and achieve useful purposes that we have not been able to achieve. This is a solution to a lot of the problems that have bedevilled the Labour party. How do we get investment without the private finance initiative and the heavy burden that that imposes on health services, schools, and all kinds of activities? Why not, through quantitative easing, create contracts for housing or other infrastructure work that have a pay-off point and produce assets for the state?

I mentioned the article in which Martin Wolf advocates the approach of the Monetary Policy Committee. That is how we should approach this. I welcome this debate because it has to be the beginning of a wider debate in

which we open our minds to the possibilities of managing credit more effectively for the better building of the strength of the British economy.

12.44 pm

Zac Goldsmith (Richmond Park) (Con): I want to put on record my gratitude to my hon. Friend the Member for Wycombe (Steve Baker) for having initiated this debate, and to his supporters from various parties. Having heard his speech—or most of it; I apologise for being late—I am even more satisfied that it was right to cast my vote for him to join the Treasury Committee.

My hon. Friend has introduced an incredibly important debate. As we have heard, this issue has not been debated here for well over a century. We would not be having it were it not for the fact that we are still in the midst of tumultuous times. We had the banking crash and the corresponding crash in confidence in the banking system and in the wider economy, and now, partly as a consequence, we have the problem of under-lending, particularly to small and medium-sized businesses. This subject could not be more important.

The right hon. Member for Oldham West and Royton (Mr Meacher)—I will call him my right hon. Friend because we work together on many issues—pointed out at the beginning of his speech that this issue is not well understood by members of the public. As I think he said later—if not, I will add it—it is also not well understood by Members of Parliament. I would include myself in that. I suspect that most people here would be humble enough to recognise that the banking wizardry we are discussing is such a complex issue that very few people properly understand it.

Bob Stewart: I totally associate myself with my hon. Friend’s comments about ignorance and include myself in that. It seems to me that the system is broken. The banks will not lend money because the Government have told them that they have to keep reserves. We do not like quantitative easing because that means that the banks are not lending. There is something very wrong with the system. It is not a case of “if the system isn’t broke, don’t fix it”, but “the system is broke, and someone’s got to fix it”.

Zac Goldsmith: My hon. Friend makes a valuable point that I will come to later.

If Members of Parliament do not really understand how money is created—I believe that that is the majority position, based on discussions that I have been having—how on earth can we be confident that the reforms that we have brought in over the past few years are going to work in preventing repeated collapses of the sort that we saw before the last election? In my view, we cannot be confident of that. The problem is the impulsive position taken by ignorant Members. I do not intend to be rude; as I said, I include myself in that bracket. For too many people, the impulse has been simply to call for more regulation, as though that is going to magic away these problems. As my hon. Friend the Member for Wycombe said, there are 8,000 pages of guidance in relation to one aspect of banking that he discussed. The problem is not a lack of regulation; it is the fact that the

existing regulations miss the goal in so many respects. Banking has become so complex and convoluted that we need an entirely different approach.

When we talk to people outside Parliament about banking, the majority have a fairly simple view—the bank takes deposits and then lends, and that is the way it has always been. Of course, there is an element of truth in that, but it is so far removed from where we are today that it is only a very tiny element.

Steve Baker: My hon. Friend mentions the idea of straightforward, carry-through lending. When people talk about shadow banking, they are usually talking about asset managers who are lending and are passing funds straight through—similarly with peer-to-peer lenders. I am encouraged by the fact that when people are freely choosing to get involved with lending, they are not using the expansionary process but lending directly. Whereas the banks are seen simultaneously to fail savers and borrowers, things like peer-to-peer lending are simultaneously serving them both.

Zac Goldsmith: That is a really important point. There is a move towards such lending, but unfortunately it is only a fringe move that we see in the credit unions, for example. It is much closer to what original banking—pure banking or traditional banking—might have looked like. We even see it in some of the new start-ups such as Metro bank; I hesitate to call it a start-up because it is appearing on every high street. Those banks have much more conservative policies than the household-name banks that we have been discussing.

Most people understand the concept of fractional reserve banking even if they do not know the term—it is the idea that banks lend more than they can back up with the reserves they hold.

Guy Opperman (Hexham) (Con): My hon. Friend mentioned Metro, whose founder is setting up a bank—in which I should declare an interest—called Atom in the north-east. It is one of some 22 challenger banks of which Metro was the first. I missed the opening of the debate, so I have not heard everything that has been said, but I do not accept that it is all doom and gloom in banking. Does he agree that these new developments are proof that the banking system is changing and the old big banks are being replaced with the increased competition that we all need?

Zac Goldsmith: I certainly agree with the sentiment expressed. I am excited by the challengers, but I do not believe that it is enough. Competition has to be good because it minimises risk. I know that my hon. Friend the Economic Secretary has dwelt on and looked at this issue in great detail.

Even fractional reserve banking is only the start of the story. I will not repeat in detail what we have already heard, but banks themselves create money. They do so by making advances, and with every advance they make a deposit. That is very poorly understood by people outside and inside the House. It has conferred extraordinary power on the banks. Necessarily, naturally and understandably, banks will use and have used that power in their own interests. It has also created extraordinary risk and, unfortunately, because of the size and interconnectedness of the banks, the risk is on us. That

is why I am so excited by the challengers that my hon. Friend has just described. As I have said, that is happening on the fringe: it is right on the edge. It is extraordinary to imagine that at the height of the collapse the banks held just £1.25 for every £100 they had lent out. We are in a very precarious situation.

When I was much younger, I listened to a discussion, most of which I did not understand, between my father and people who were asking for his advice. He was a man with a pretty good track record on anticipating turbulence in the world economy. He was asked when the next crash would happen, and he said, “The last person you should ask is an economist or a business man. You need to ask a psychiatrist, because so much of it involves confidence.” The point was proven just a few years ago.

The banking system and the wider economy have become extraordinarily unhinged or detached from reality. I would like to elaborate on the extraordinary situation in which it is possible to imagine economic growth even as the last of the world’s great ecosystems or the last of the great forests are coming down. The economy is no longer linked to the reality of the natural world from which all goods originally derive. That is probably a debate for another time, however, so I will not dwell on it.

Mr MacNeil: The hon. Gentleman is making a good point that we should remember. It was brought home to me by Icelandic publisher Bjorn Jonasson, who pointed out that we are not in a situation where volcanoes have blown up or there have been huge national disasters, famines or catastrophes brought on by war; as a couple of the hon. Gentleman’s colleagues have said, this is about a system failure within the rules, and it is worth keeping that in mind. Although there is much gloom in relation to the banking system, in many ways that should at the same time give us some hope.

Zac Goldsmith: The hon. Gentleman is right, but a growing number of commentators and voices are anticipating a much larger crash than anything we have seen in the past few years. I will not add to or detract from the credence of such statements, but it is possible to imagine how such a collapse might happen, certainly in the ecological system. We are talking about the banking system, but the two systems are not entirely separate.

We had a wake-up call before the election just a few years ago. My concern is that we have not actually woken up. It seems to me that we have not introduced any significant or meaningful reforms that go to the heart of the problems we are discussing. We have been tinkering on the edges. I do not believe that Parliament has been as closely involved in the process as it should be, partly because of the ignorance that I described at the beginning of my speech.

I want to put on the record my support for the establishment of a meaningful monetary commission or some equivalent in which we can examine the pros and cons of shifting from a fractional reserve banking system to something closer to a full reserve banking system, as some hon. Members have said. We need to understand the pros and cons of such a move, how possible it is, and who wins and who loses. I do not think that many people fully know the answers.

[Zac Goldsmith]

We need to look at quantitative easing. I think that hon. Members on both sides of the House have accepted that it is not objective. Some believe that it is good and others believe that it is bad, but no one believes that it is objective. If the majority view is that quantitative easing is necessary, we need to ask this question: why not inject those funds into the real economy—into housing and energy projects of the kind that Opposition Members have spoken about—rather than using the mechanism in a way that clearly benefits only very few people within the world of financial and banking wizardry that we are discussing?

The issues need to be explored. The time has come to establish a monetary commission and for Parliament to become much more engaged. This debate is a very small step in that direction, and I am very grateful to its sponsors. I wish more Members were in the Chamber—I had intended to listen, not to speak—but, unfortunately, there have not been many speakers. This is a beginning, however, and I hope that we will have many more such debates.

12.55 pm

Mark Durkan (Foyle) (SDLP): I rise to endorse the very significant points made by hon. Members. In particular, I pay tribute to the hon. Member for Wycombe (Steve Baker) for securing the debate and for opening it so strongly. From hearing him speak in Public Bill Committees on banking reform and related questions, I know that he is dubious about our having almost feng shui arguments on the regulatory furniture when there are fundamental questions to be asked about the very foundations of the system. He amplified that point in his speech.

My right hon. Friend the Member for Oldham West and Royton (Mr Meacher) made the point that the whole approach to quantitative easing—several Members have questioned it at a number of levels—proves that the underlying logic of sovereign money creation is feasible and workable. It is strange that some of the people who would dispute or refute the case for sovereign money creation sometimes defend quantitative easing in its existing form and with its current features.

In many ways, quantitative easing has shown that if we are to use the facility of the state—in this situation, the state's main tool is the Bank of England—to alter or prime the money supply in a particular way, we could choose a much better way of doing so than through quantitative easing. It is meant to have increased the money supply, but where have people felt that in terms of business credit, wages or the stimulus that consumer power can provide?

When we look back at the financial crash and its aftermath, we can see evidence—not just in the UK, but in Ireland and elsewhere—showing that much of what we were told about the worth or the wealth of various sectors in the economy up until the crash has turned out to be vacuous, while the poverty lying in its trail has been vicious. The worth or the wealth was not real, but the poverty is real. People in organisations such as Positive Money in the UK or Sensible Money in Ireland are therefore saying, rightly, that politics—those of us charged with overseeing public policy as it affects the

economy—need to have more of a basic look at how we treat the banking system and at the very nature of money creation.

As someone who grew up in Northern Ireland, I am very used to the idea of having different banknotes—banks issuing their own money—but we do not think much about that, because we think that all that happens in the Bank of England or under its licence. As a member of the Financial Services Public Bill Committee and the Financial Services (Banking Reform) Public Bill Committee, it seems to me that although it has been recognised that some regulatory powers should go back to the Bank of England, the arrangements for regulation and the Bank of England's role are still very cluttered.

In fact, in trying to correct the regulatory deficiencies that existed before the crash, there is a risk that we have perhaps created too many conflicting and confusing roles for the Bank of England. Given the various personages, different roles and job descriptions that attach to some of those committees, it seems to me that there is potential for clutter in the Treasury. The common denominator and reference point in the range of different committees and bodies and the things they do, is the Treasury. When the Treasury exercises its powers, influences judgments, and informs the criteria and considerations of those different committees under the Bank of England, there is not enough scrutiny or back play through Parliament.

I endorse the points made by other hon. Members about ensuring more accountability, whether through more formal reference to the Treasury Committee or some other hybrid, as suggested in an intervention on the right hon. Member for Oldham West and Royton. There should be more parliamentary insight—and definitely parliamentary oversight—on these matters. We cannot suddenly be shocked that all the confidence in various regulatory systems turned out to have been badly placed. That was our experience the last time, when people who now criticise the previous Government for not having had enough regulation were saying that there was too much regulation and calling for more deregulation.

If we in this Parliament have produced a new regulatory order, we must be prepared to face and follow through the questions that arise. It is not good enough to ensure that the issue returns to Parliament only the next time there is a crisis, when we will have to legislate again. We should do more to be on our watch. The hon. Member for Wycombe and other hon. Members who secured this debate have done us a service. We want more of a parliamentary watch window on these issues.

There is a necessary role for banks in the creation of money and quantitative easing, but we must entrust them with the right role and with the appropriate controls and disciplines. That is fundamental. It is not good or strong enough that we leave it to the whims of the banks and their lending—supposedly reinforced and stimulated by quantitative easing—to profile the performance of the economy.

If quantitative easing works on the basis of the Bank of England, through the asset purchase facility, essentially using money that it creates under quantitative easing to buy gilts from a pension fund whose bank account is with RBS—which in essence is owned by the Bank of England—then RBS's bank account with the Bank of England goes up by the value of that gilt purchase. Simultaneously, the bank account of the pension fund

goes up by that amount, and we are told that the UK money supply has increased. Yes, in theory the pension fund can purchase other assets—is that what is happening?—but while 1% of the big money holders and players appear to have been advantaged through quantitative easing, where is the trickledown to the rest of the economy? It is not there.

The sovereign money creation model seems to be primed much more specifically on a view of the total economy and providing a broad, stable and more balanced approach to stimulus and economic performance. We have had the slowest recovery coming out of a recession with quantitative easing. I do not say that to get some voice-activated reaction from the Government about how good the recovery and performance is, but in broader historical terms it is the slowest recovery, which also leaves questions about quantitative easing.

We heard from the Prime Minister about red warning lights on the dashboard of the world economy, and I wonder whether he would ever say that, to his mind, those warning lights include the degree to which global banks are now playing heavily in derivatives again, and there needs to be more action. That raises issues not just of regulation at national level, but at international level.

1.5 pm

Catherine McKinnell (Newcastle upon Tyne North) (Lab): I congratulate the hon. Member for Wycombe (Steve Baker) on his thoughtful and thorough opening speech, as well as my right hon. Friend the Member for Oldham West and Royton (Mr Meacher) on his remarks. In their absence I also congratulate the hon. Members for Brighton, Pavilion (Caroline Lucas) and for Clacton (Douglas Carswell) on securing today's important debate.

This debate follows a significant campaign by Positive Money, which has raised important issues about how we ensure financial stability, and how we as parliamentarians and members of the public can gain a greater understanding of the way our economy works, in particular how money is supplied not just in this country but around the world.

Some important questions have been highlighted in the debate, although not all have been answered. There are questions about how money is created, how money or credit is used by banks and others, how our financial system can be more transparent and accountable, and particularly how it can benefit the country as a whole. That latter point is something that Labour Members have been acutely focused on. How do we re-work our economy, whether in banking or in relation to jobs and wages, so that it works for the country as a whole?

It is worth reflecting on our current system and what it means for money creation. As the hon. Member for Wycombe set out eloquently in his opening speech, we know that currency is created in the conventional sense of being printed by the Bank of England, but commercial banks can create money through account holders depositing money in their accounts, or by issuing loans to borrowers. That obviously increases the amount of money available to borrowers and within the wider economy. As the Bank of England made clear in an article accompanying its first quarterly bulletin in 2014:

“When a bank makes a loan to one of its customers it simply credits the customer's account with a higher deposit balance. At that instant, new money is created.”

Bank loans and deposits are essentially IOUs from banks, and therefore a form of money creation.

Commercial banks do not have unlimited ability to create money, and monetary policy, financial stability and regulation all influence the amount of money they can create. In that sense, banks are regulated by the Prudential Regulation Authority, part of the Bank of England, and the Financial Conduct Authority. Those regulators, some of which are—rightly—*independent*, are the stewards of “safety and soundness” in financial institutions, especially regarding banks' money-creating practices.

Banks are compelled to manage the liabilities on their balance sheets to ensure that they have capital and longer-term liabilities precisely to mitigate risks and prevent them from effectively having a licence to print money. Banks must adhere to a leverage ratio—the limit on their balance sheets, compared with the actual equity or capital they hold—and we strongly support that. Limiting a bank's balance sheet limits the amount of money it can create through lending or deposits. There are a series of checks and balances in place when it comes to creating money, some of which the Opposition strongly supported when we debated legislative changes in recent years. It remains our view that the central issue, the instability of money supply within the banking system, is less to do with the powers banks hold and how they create money than with how they conduct themselves and whether they act in the public interest in other ways too.

We believe the issues relate to the incentives in place for banks to ensure that loans and debts are repaid, and granted only when there is a strong likelihood of repayment. When the money supply increases rapidly with no certainty of repayment, that is when real risks emerge in the economy. Those issues were debated at great length when the Financial Services (Banking Reform) Act 2013 made its way through Parliament, following recommendations from Sir John Vickers' Independent Commission on Banking and the Parliamentary Commission on Banking Standards, which considered professional standards and culture in the industry. The 2013 Act created the Prudential Regulation Authority and gives regulators the power to split up banks to safeguard their future, to name just two examples of changes that were made. However, we feel that it did not go far enough.

The Opposition's concern is that the Government's actions to date in this area have fallen short of the mark. They have failed to boost sufficient competition in the banking industry to raise those standards and to create public confidence in the sector. As hon. Members with an interest in this area know, we tabled a number of amendments to try to strengthen the Bill, and to prevent banks from overreaching themselves and taking greater risks, by ensuring that the leverage ratio is effective. That goes to the heart of many of the issues we are debating today. The Government rejected our proposals to impose on all those working in the banking industry a duty of care to customers. That would help to reform banking so that it works in the interests of customers and the economy, and not solely those of the banks. Those are the areas on which we still feel that reform is needed in the sector.

It is clear from this debate that there is a whole range of issues to consider, but our focus is that the banks need to be tightly and correctly regulated to ensure that they work for the whole economy, including individuals

[Catherine McKinnell]

and small and large businesses. That is the key issue that we face at present. Only when the banks operate in that way and work in the interests of the whole economy will we find our way out of the cost of living crisis that so many people are facing.

I thank hon. Members for securing this very important debate and for the very interesting contributions that have been made from all sides of the House. I am pretty certain that this is not the end of the conversation. The debate will go on.

1.12 pm

The Economic Secretary to the Treasury (Andrea Leadsom): I too congratulate hon. Members on securing this fascinating debate. It is long overdue and has allowed us to consider not just what more we can do to improve what we have but whether we should be throwing it away and starting again. I genuinely welcome the debate and hope that many more will follow. In particular, I pay tribute to my hon. Friend the Member for Wycombe (Steve Baker), who now sits on the Treasury Committee on which I had the great honour to serve for four years. I am sure that his challenge to orthodoxy will have been extremely welcomed by the Committee and by many others. I wish him good luck on that.

Steve Baker: May I just say how much I am enjoying my hon. Friend's place on the Committee? I congratulate her on her promotion once again.

Andrea Leadsom: I am grateful to my hon. Friend.

My right hon. Friend the Member for Hitchin and Harpenden (Mr Lilley) gave a fantastic explanation that I would commend to anybody who wants to understand how money is created. He might consider delivering it under the financial education curriculum in schools. It was very enlightening, not least because it highlighted the appalling failure of regulation in the run-up to the financial crisis that is still reverberating in our economy today. All hon. Members made interesting points on what we can do better and whether we should be thinking again. I pay tribute to the right hon. Member for Oldham West and Royton (Mr Meacher) for his good explanation of the Positive Money agenda, which is certainly an idea worthy of thought and I will come on to it.

Money creation is an important and complex aspect of our economy that I agree is often misunderstood. I would therefore like quickly to set out how the system works. The money held by households and companies takes two forms: currency, which is banknotes and coins, and bank deposits. The vast majority, as my hon. Friend pointed out, is in the form of bank deposits. He is absolutely right to say that bank deposits are primarily created by commercial banks themselves each time they make a loan. Whenever a bank makes a loan, it credits the borrower's bank account with a new deposit and that creates "new money". However, there are limits to how much new money is created at any point in time. When a bank makes a loan, it does so in the expectation that the loan will be repaid in the future—households repay their mortgages out of their salaries; businesses repay their loans out of income from their investments.

In other words, banks will not create new money unless they think that new value will also in due course be created, enabling that loan to be paid back.

Ultimately, money creation depends on the policies of the Bank of England. Changes to the bank rate affect market interest rates and, in turn, the saving and borrowing decisions of households and businesses. Prudential regulation is used if excessive risk-taking or asset price bubbles are creating excessive lending. Those checks and balances are an integral part of the system.

I agree fully that the regulatory system was totally unfit in the run-up to the financial crisis. We saw risky behaviour, excessive lending and a general lack of restraint on all sides. The key problem was that the buck did not stop anywhere. When there were problems in the banking system, regulators looked at each other for who was responsible. We all know that the outcome was the financial crisis of 2008. I, too, see the financial crisis as a prime example of why we need not just change but a better banking culture: a culture where people do not spend their time thinking about how to get around the rules; a culture where there is no tension between what is good for the firm and what is good for the customer; and a culture where infringements of the rules are properly and seriously dealt with.

I will touch on what we are doing to change the regulations and the culture, but first I will set out why we do not believe that the right solution is the wholesale replacement of the current system by something else, such as a sovereign monetary system. Under a sovereign monetary system, it would be the state, not banks, that creates new money. The central bank, via a committee, would decide how much money is created and this money would mostly be transferred to the Government. Lending would come from the pool of customers' investment account deposits held by commercial banks.

Such a system would raise a number of very important questions. How would that committee assess how much money should be created to meet the inflation target and support the economy? If the central bank had the power to finance the Government's policies, what would the implications be for the credibility of the fiscal framework and the Government's ability to borrow from the market if they needed to? What would be the impact on the availability of credit for businesses and households? Would not credit become pro-cyclical? Would we not incentivise financing households over businesses, because for businesses, banks would presumably expect the state to step in? Would we not be encouraging the emergence of an unregulated set of new shadow banks? Would not the introduction of a totally new system, untested across modern advanced economies, create unnecessary risk at a time when people need stability?

Steve Baker: I do not actually support Positive Money's proposals, although I am glad to work with it because I support its diagnosis of the problem. Of course, this argument could have been advanced in 1844 and it was not. I have not proposed throwing away the system and doing something radically new; I have proposed getting rid of all the obstacles to the free market creating alternative currencies.

Andrea Leadsom: I am grateful to my hon. Friend for pointing that out. I must confess that before the debate I was puzzled that such an intelligent and extremely

sensible person should be making the case for a sovereign monetary system, which I would consider to be an extraordinarily state-interventionist proposal. I am glad to hear that is not the case. In addition, of course, bearing in mind our current set of regulators, presumably we would then be looking at a committee of middle-aged, white men deciding what the economy needs, which would also be of significant concern to me.

Mr Meacher: Before the Minister leaves the question of a sovereign monetary system, which she obviously totally opposes and to which she raised several objections that I cannot answer in an intervention, does she not believe that the system of bank money creation is highly pro-cyclical and has enormously benefited property and financial sectors to the disadvantage of the vast range of industries outside the financial sector?

Andrea Leadsom: As I said, I sincerely congratulate the right hon. Gentleman on raising this matter; it is certainly worthy of discussion, and I look forward to him responding to some of my arguments. I agree that where we were in the run-up to the financial crisis was entirely inappropriate, and I will come to some of the steps we have taken to improve—not throw away the baby with the bathwater—what we have now, rather than throwing it away and starting again.

I know that some of my hon. Friends and Opposition Members have a particular concern about quantitative easing—I have made it clear that I do too—specifically about how we might unwind it. However, they must agree that at least it can be unwound, unlike the proposal for “helicopter money”, which would seem to be a giant step beyond QE—a step where money would be created by the state with no obvious way to rein it back if necessary.

If the tap in my bathroom breaks, rather than wrenching the sink off the wall, I would prefer to fix the tap. As Martin Wolf said last week,

“nobody can say with confidence”

how a monetary system should be structured and what laws and regulations it should have. Given that and the economic tumult across the world, we should be devoting our energies to fixing the system we have—mending the problems but keeping what works. For that reason, the Government have taken significant steps to improve the banking sector, making sure it fulfils its core purpose of keeping the wheels of the economy well oiled.

We are creating a better, safer financial system, with the Financial Policy Committee, created in this Parliament, focused on macro-prudential analysis and action. As the hon. Member for Newcastle upon Tyne North (Catherine McKinnell) pointed out, the FPC has been given counter-cyclical tools to require more capital to be held and to increase the leverage ratio and the counter-cyclical capital buffers when the economy is over-exuberant in order to push back against it—as the previous Governor of the Bank of England said, to remove the punch bowl while the party is still in full flow. That is incredibly important. We are also reducing dependence on debt. Since the financial crisis, the UK banking system has been forced significantly to strengthen its capital and liquidity position, and it is continuing to do so.

I must stress, however, that regulation alone will never be enough, which is why the Government are promoting choice, competition and diversity. I am delighted that 25 new banks are talking to the Prudential Regulatory Authority about getting a bank licence. We are also making strong efforts to promote the mutual sector; to enhance the capacity of credit unions to serve the real economy better; to enable booster funding for small businesses; to help families; and to improve customer service. We have put in place schemes to help the transmission of money from banks to customers, including the funding for lending scheme, which has lowered the price and increased the availability of credit for small and medium-sized businesses. As I think the hon. Member for Newcastle upon Tyne North said, we have also created the British business bank, which is helping finance markets work better for small firms, and are investing much resource and effort to build that up and help businesses in our economy.

We also have a programme of measures to increase competition in the SME lending market, including flagship proposals to open up access to SME credit information, which will help challengers to get in on the act, and to have banks pass on declined applications for finance to challenger banks. In addition, we now have an appeals process whereby small businesses turned down for funding can get a second chance, which has secured an additional £42 million of lending since its launch. These are all measures to help small businesses access finance. Then, to mitigate the problem of house price bubbles, we are putting in place supply-side reforms to promote home building and home owning, as well as measures enabling the PRA to limit the amount of lending that households can take on.

I agree with Members on both sides of the House, however, that we should not be content with the system as it stands. We must seek to improve it and make it function better. In Mark Carney, we have an excellent central banker who has the experience and knowledge to put the right reforms in place and see them through. As he says:

“Reform should stop only when industry and society are content, and finance justifiably proud.”

In the medium to long term, we need to create a culture where research and analysis do not shy away from going against the orthodoxy. As hon. Members across the House have said, we need to consider alternatives, and we should be having that discussion; it is healthy to do so, because that is how to make progress. For that reason, the call from Andy Haldane, the Deputy Governor of the Bank of England, for a broader look at new and existing monetary ideas is exactly right.

Mr Meacher: I am pleased the Minister thinks that alternative ways of improving the monetary system should be explored. Will she support the idea of a setting up a commission to examine the alternatives, as recommended by the hon. Member for Richmond Park (Zac Goldsmith), as well as by me—so there is some cross-part support on this? Is that not an idea whose time has come?

Andrea Leadsom: I think that an organisation such as the Treasury Committee, of which my hon. Friend the Member for Wycombe is member, would be entirely the right place to have such a discussion, and of course we

[*Andrea Leadsom*]

also had the Vickers commission, which looked at what went wrong and what measures could be put in place, and the Parliamentary Commission on Banking Standards, which specifically addressed the issue of incentives and motivations in banking. I would not normally advocate the establishment of great new commissions; we already have the bodies to look further at different orthodoxies, and as Andy Haldane has said, the Bank itself will be looking at, and encouraging, the exploration of alternative views.

Of course, we also need to continue embracing innovation, both in the “software” of how payments are made and in the “hardware” of new currencies, such as crypto-currencies and digital currencies—both could open up competition and give customers greater choice and access to funding—but we must do so with caution. In November, we published a call for information inviting views and evidence on the benefits and risks of digital currencies so that digital currency businesses can continue to set up in the UK and people can expect to use them safely.

I am the last person who could be described as statist, but I accept that we must always be ruthless in our determination to regulate new ideas that come to the fore, because as sure as night follows day, as new ideas come in, through shadow banking, new lending ideas and so on, some people will seek to manipulate new schemes and currencies for fraudulent purposes. I am absolutely alive to that fact. It is important, therefore, that the Government carry out the necessary research.

The Government believe that the current system, modified and improved with far greater competition, can service the economy best. However, reform is vital. Again as Andy Haldane puts it:

“Historically, flexing policy frameworks has often been taken as a sign of regime failure. Quite the opposite ought to be the case”.

We need banks to lend—to young families wanting to buy houses and repay out of future labour income rather than relying on the bank of mum and dad, and to businesses wanting to seize opportunities, gain new markets and create jobs and growth. We have an existing system that offers a forward-looking and dynamic framework in which tomorrow’s opportunities are not wholly reliant on yesterday’s savings and which builds on banks’ expertise in assessing risk and making the lending decisions we badly need. During my 25 years at

the heart of the industry, I saw the sector at its best, but sometimes sadly also at its worst. We are trying to remedy the worst, but let us also keep the best.

1.29 pm

Steve Baker: This debate has been a joy at times, and I am extremely grateful to right hon. and hon. Members who helped me to secure it. The right hon. Member for Oldham West and Royton (Mr Meacher) made clear his support for sovereign money. One of the great advantages of such a system is that it would make explicit what is currently hidden—that it is the state that is trying to steer the monetary system—and if such a system failed, it would at least be clear that it was a centrally planned monetary order that had failed.

The hon. Member for Clacton (Douglas Carswell) talked about the ownership of deposits, and I was glad to support his private Member’s Bill. I am reminded of the intervention from the hon. Member for Hackney North and Stoke Newington (Ms Abbott), who talked about deposit insurance. One of the problems, as seen in Cyprus in the context of depositor “bail-ins”, is that deposits are akin to a share in a risky investment vehicle, so a little more clarity about what a deposit means and what risks depositors take could go a long way.

My right hon. Friend the Member for Hitchin and Harpenden (Mr Lilley) highlighted one of the greatest controversies among free marketeers—whether or not fractional reserve deposit taking is legitimate.

The hon. Member for Great Grimsby (Austin Mitchell) mentioned Major Douglas, which he will have seen put a smile on my face. Major Douglas was dismissed as a crank, even by Keynes who dismissed him in his writing as a “private”. This highlights the fact that the possible range of debate is enormous.

I would like to leave my final words with Richard Cobden, the Member representing Stockport back in the time when this was also a big issue. He said:

“I hold all idea of regulating the currency to be an absurdity; the very terms of regulating the currency...I look upon to be an absurdity”.

The currency, for him,

“should be regulated by the trade and commerce of the world.”

I wholeheartedly agree.

Question put and agreed to.

Resolved,

That this House has considered money creation and society.

Devolution and the Union

[*Relevant documents: Third Report from the Political and Constitutional Reform Committee, Session 2012-13, "Prospects for codifying the relationship between central and local government", HC 656, and the Government response, Cm 8623; Fourth Report from the Political and Constitutional Reform Committee, Session 2012-13, "Do we need a constitutional convention for the UK?" HC 371; Oral evidence reported by the Political and Constitutional Reform Committee on 16 and 23 October and 6 and 10 November 2014, on "The future of devolution after the referendum", HC 700.*]

Madam Deputy Speaker (Mrs Eleanor Laing): I inform the House that none of the amendments has been selected. Many colleagues have indicated that they wish to participate in the debate, so given the limited time available, there will be a time limit on Back-Bench speeches of seven minutes.

1.32 pm

Mr Dominic Raab (Esher and Walton) (Con): I beg to move,

That this House recognises the outcome of the referendum on Scottish independence; welcomes the freely expressed will of the people of Scotland to remain British; notes the proposals announced by Westminster party leaders for further devolution to Scotland; calls on the Government and Her Majesty's Loyal Opposition to bring forward proposals that are fair and reasonable for the whole of the United Kingdom, following a period of public consultation to enable people in all parts of the Union to express their views; and, in particular, calls on the Government to ensure such proposals include a review of the Barnett formula and legislative proposals to address the West Lothian question.

I begin by thanking the Backbench Business Committee and its formidable Chair, the hon. Member for North East Derbyshire (Natascha Engel), who is not in her place today, for the opportunity to have this debate. I would also like to thank the right hon. Member for Birkenhead (Mr Field) for making common cause in co-sponsoring the debate and the motion. I thank, too, the 81 hon. Members from four parties who signed in support of the motion.

The great Scottish inventor of the telephone, Alexander Graham Bell, coined the phrase:

"When one door closes, another opens".

For my part, I thoroughly welcome the outcome of the Scottish referendum and the decision of the Scottish people to remain part of the United Kingdom, but I also recognise—I say this at the outset—the division and the divide it has left north of the border and the consequences that need to be picked up south of the border. In the spirit of Bell, I want to focus on the positive opportunities ahead—opportunities to give greater expression to the Scottish desire for self-determination short of secession, and indeed opportunities for a wider democratic renaissance across the whole of the United Kingdom.

In truth, we have made some progress under the coalition. As a result of the Scotland Act 2012, the Scottish Government will raise around 30%—up from 14%—of their own tax revenue. All parties now pledge further tax-raising powers and greater control over social security. I say to those representing Scottish seats who

want further devolution beyond the current consensus that I am rather sympathetic, and I will look at and listen to their ideas with an open and sympathetic mind.

Of course, beyond the UK, devo-max, as it is termed, can draw on a variety of federal models, including those of Germany, Canada and even Spain. Scottish National party Members and others will have noted that this would take us well beyond what was promised in the vow of the main party leaders in the *Daily Record* on 16 September.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): The hon. Gentleman's party leader, the Prime Minister, said during the referendum campaign that everything was possible and all was on the table. Does the hon. Gentleman disagree with that?

Mr Raab: This may be the easiest intervention I get today, but I do agree that everything is on the table and that everything is possible. In fact, if the hon. Gentleman listens closely as I develop my speech, he will find that I am rather sympathetic to taking further steps toward financial devolution, which the hon. Gentleman and his colleagues have proposed.

Equally, there needs to be recognition that with greater financial freedom and power, Scotland must expect to bear some additional responsibility. I am sure that as a matter of principle—regardless of the practicalities—all hon. Members would agree with that. A new deal for Britain must be fair to all parts of Britain. In my view, that means two things. First, if we went down the road of devo-max or fuller financial devolution, it would eventually render utterly untenable the Barnett formula used by the UK Government to subsidise the devolved Administrations. That formula is based on outdated spending patterns and population numbers and is already divorced from any objective assessment of real need across Britain. If Scotland now wants greater powers to tax and spend—as I said, I am sympathetic to that—it cannot expect the Union and taxpayers across the Union to keep subsidising them to the hilt on such an arbitrary basis, without fuelling resentment in other parts of the UK. I note that that is also the logic of the SNP submission to the Smith review. I have it here and will happily read it later.

Jonathan Evans (Cardiff North) (Con): Does my hon. Friend not find it curious to hear these sotto voce interventions of SNP Members defending the Barnett formula, which is recognised as unfair to Wales and is vehemently opposed by Plaid Cymru, the SNP's allies in the House?

Mr Raab: As usual, my hon. Friend makes a cogent and eloquent point. That point is actually made by the SNP in its submission to the Smith review—that the logical consequence of full financial devolution would indeed mean the overhauling of the Barnett formula. I thus say to SNP Members that there may be potential for a nascent consensus on some of this—if it can be reached and grasped.

Hywel Williams (Arfon) (PC): Does the hon. Gentleman agree with the Prime Minister when he said in the Liaison Committee this morning that Barnett reform was "not on the horizon"?

Mr Raab: I suppose it depends on how broad, far and deep is one's horizon. [*Interruption.*] Let me pursue that a bit more, because I want to be clear about it. Today's motion does not seek to ride roughshod over the vow. It calls for a review of Barnett without prejudice to what would follow. I do not see how anyone on any side of the debate could possibly refuse to countenance consideration of the impact of further financial devolution on the rest of the UK. That would have to entail a review of Barnett.

Mr Mike Weir (Angus) (SNP): There is almost a point of agreement here. In our proposals to the Smith review, we said:

"As part of any agreement, the Barnett Formula should continue to be used to determine Scotland's resources during any transitional period".

We are seeking full fiscal responsibility and in that event there would obviously have to be changes to Barnett.

Mr Raab: The hon. Gentleman—I was on the cusp of saying "My hon. Friend"—has made his point so powerfully that we are almost there.

Mr Michael McCann (East Kilbride, Strathaven and Lesmahagow) (Lab): Will the hon. Gentleman give way?

Mr Raab: I am going to make some progress before I give way again. I have been very generous so far.

We must also consider points south of the border, where many people bristle over the fact that Scottish public services already receive over £2,000 more investment per person each year than some parts of England. That investment does not just subsidise free prescriptions and university tuition; in proportion to its population, Scotland has twice as many nurses and ambulance staff as England, and 43% more police officers. However, this is not just a southern gripe. Scotland's public spending per person on housing and community, for example, is twice as high as that of the midlands, Yorkshire or Humber and the north west, and in comparison with Scotland, Wales gets a poor deal too. I am sure that Members representing Welsh seats will want to make that point for themselves.

Ian Murray (Edinburgh South) (Lab): Will the hon. Gentleman give way?

Mr Raab: I am going to make a small amount of progress, but I will happily take an intervention a little later. I am conscious of the time restraints. I have been told that I have 15 minutes tops, and I want to respect that, because otherwise I shall get into trouble with you, Madam Deputy Speaker.

I know that colleagues in the Scottish National party will argue for the retention of North sea oil revenue in return. Rather than ducking that argument, I want to address it head-on before I give way again. I say to SNP Members that, personally, I accept that basic logic in principle, but it must surely take into account all the British taxpayers' money that was originally invested in the extraction of the oil, and it also requires us to think far more seriously about the geographical allocation of financial resources across the board. I am sure that they will accept that logic, as it follows theirs. Given the new

findings of shale gas across England and the draining of oil production from the North sea, I doubt that this is the lottery ticket on which the SNP is betting, but I cannot deny that it is a natural consequence of pursuing the constitutional logic of financial devolution.

Can we not agree, at this stage at least, to arrange the independent review of the Barnett formula for which the motion calls, in the light of proposals from the main parties and across the board, so that the implications for those in the rest of Britain can be examined? Surely their voice, their interests and their concerns cannot be locked out of the debate for ever. Can we not reasonably agree that, subject to areas of spending that will be devolved, the remaining revenue allocated across Britain should follow a needs-based approach, which is precisely how revenue is allocated internally in Scotland?

Mark Lazarowicz (Edinburgh North and Leith) (Lab/Co-op): Does not focusing the debate on the Barnett formula mean focusing it much too narrowly? If we are looking at expenditure, should we not look at the expenditure that the Barnett formula does not fully reflect? Should we not look at the income that the state receives, and the pooling and sharing of resources? If we are to have a review, let us look at the whole picture, rather than picking just one aspect of it.

Mr Raab: The hon. Gentleman has made a good point. I am certainly in favour of looking at the logical implications of financial devolution and following them to their natural conclusion. If we do not do that, we shall have a very "silo" debate.

Dr Sarah Wollaston (Totnes) (Con): Surely it cannot be right for someone who is living with, say, heart disease or cancer to suffer because an extra £203 per head has been allocated elsewhere owing to an accident of geography. Surely all Members want a settlement that is fair to individuals with long-term conditions, wherever they live in our United Kingdom.

Mr Raab: My hon. Friend—who chairs the Health Committee—is absolutely right, as usual. We must all agree that an accident of geography cannot mean that the voices and the needs of the elderly, the vulnerable, and NHS patients somehow count for less.

Mr MacNeil: Let me say something instructive to the hon. Gentleman. He has mentioned subsidies for Scotland a couple of times. If he is going to talk about subsidies, he should understand that referring to expenditure in Scotland in terms of the Barnett formula is cherry-picking. It represents only two thirds of spending, and that is just identified spending: there is another third of non-identified spending. Talking about the Barnett formula is a trick used by Tories and Labour Members to suggest that certain moneys are spent in Scotland. They are not talking about the whole pie; they are talking about two thirds of the pie. That is the trick.

Mr Raab: If the Barnett formula is not subsidising Scotland to the degree that concerns some of us, why is the SNP so averse to any review of it, let alone change? However, as was pointed out by the hon. Member for Edinburgh North and Leith (Mark Lazarowicz), this is not just about the Barnett formula. The second price of further devolution must be steps to bridge the democratic

deficit between Scotland and the rest of the Union. As in the case of the Barnett formula, south of the border it smarts that Scottish MPs in Parliament still vote on matters concerning England—from social care to school reforms—that in Scotland have been devolved to the Scottish Government.

There are various ways in which we could address the so-called West Lothian question. Others will have different views, but I believe that, as a minimum, any new legislation should implement the common-sense plan presented in 2008 by my right hon. and learned Friend the Member for Rushcliffe (Mr Clarke) to restrict Scottish MPs from legislating at Westminster in Committee and on Report on issues that do not affect Scotland. I suspect that, far from creating deadlock—which is what has been put about—that would lead to a rather healthy spirit of compromise. A United Kingdom Government who were reliant on Scottish MPs would retain the power of initiative, and England would have a democratic shield to prevent such a Government from imposing their will on it without consent.

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): As I am sure the hon. Gentleman knows, of the 460 pieces of primary legislation proposed by the Government since 2001—the year of the first post-devolution Parliament—eight have been England-only. “English votes for English laws” may suit a headline, but it does not address the real issue—the much more significant issue of the way in which power is distributed around the UK as a whole.

Mr Raab: The hon. Gentleman has made his point very calmly and sensibly, but it seems to me that if we managed to work out how to determine questions such as these for the Scottish Parliament and to enable Scottish devolution to take place, it is not beyond the wit of man or woman to work out how we can redress the balance for England, while also ensuring that the other constituent parts of the United Kingdom have an equal voice. I am sure that the hon. Gentleman would not want his words to be taken as suggesting that he does not believe in the principle of democratic equality. However, as he says, the implications of further Scottish devolution go well beyond England. I look forward to hearing the contributions from Welsh and Northern Irish colleagues, given their unique interests and special circumstances. I say, as an English MP, that their voices must be heard.

Thomas Docherty (Dunfermline and West Fife) (Lab): What about London?

Mr Raab: I think the hon. Gentleman will find that London is part of England, and will, by definition, be considered.

I must refer briefly to the amendment tabled by the Leader of the Opposition on behalf of the Labour party. The amendment, which was slipped on to the Order Paper at the last minute, strips out and opposes, in express terms—

Madam Deputy Speaker (Mrs Eleanor Laing): Order. The hon. Gentleman may wish to address the issues to which the amendment refers, but he cannot speak to it, because it has not been selected for debate.

Mr Raab: Thank you, Madam Deputy Speaker. I bow to your instructions and guidance.

The proposal, as it was, strips out and opposes, in express terms, any consideration of the Barnett formula. It strips out and opposes, in express terms, any attempt to address the West Lothian question. The Leader of the Opposition seeks to entrench democratic inequality and financial unfairness, for the sake—I fear—of short-term electoral expediency. If we are looking together at a long-term deal for Britain that is good for the whole of Britain, that is utterly unsustainable. I think that our debate will have established, at the very least, that the formal position of the leadership of the Labour party—I recognise that there are diverse views among Back Benchers—is now crystal clear. The Leader of the Opposition is opposed to, and is blocking, reform that would ensure that the legitimate concerns of those who represent English seats were addressed.

Let us think beyond the nations. Devo-max could spur democratic reform well beyond devolution. We still have one of the most centralised systems in any western democracy. We still have what is effectively a system of “one size fits all” governance, magnifying the effects of bad policy and suffocating local innovation. I recognise that the coalition has taken steps in the right direction—for instance, it has established locally elected police and crime commissioners, and has given councils a bigger slice of the tax revenue from the sale of new homes—but Whitehall still grips 80% of the purse strings. In other advanced countries, an average of about half of local or regional government spending is financed by local tax revenue.

I think it is fair to say, on the basis of material from the Adonis review to the Heseltine report, that across the political spectrum there is now a groundswell of ideas on how to deliver stronger local democracy—by providing incentives for local business growth, by promoting home building, or, more broadly, by tailoring policy to local needs whilst ensuring that it is accountable to the taxpayers who will ultimately foot the bill. Bringing decisions on those key issues closer to those who vote and who pay for them might not be a silver bullet, but it will play an important part of rebuilding trust in our democracy.

We should all recognise that the no vote in September’s referendum will not end the Scots’ yearning for more control over their own lives, but, rather than those on either side resenting it, the rest of Britain should look on it as an opportunity for democratic renewal, which must take place across the whole Union. As Graham Bell put it,

“we often look so long and so regretfully upon the closed door that we do not see the one which has opened for us.”

I commend the motion to the House.

1.50 pm

Mr Roger Godsiff (Birmingham, Hall Green) (Lab): I congratulate the hon. Member for Esher and Walton (Mr Raab) on securing the debate. Like him, I welcome the result of the Scottish referendum. However, Members should be under no illusion. The way in which the UK is governed has changed, and we cannot change it back. These issues are more important than the Barnett formula. Promises were made about devolution max to the people of Scotland, and those promises have to be honoured.

[Mr Roger Godsiff]

It would be inconceivable—and political suicide—not to do so. Once those promises have been honoured and powers have been transferred to Scotland, however, there will quite rightly be demands from the Welsh Assembly and the Northern Ireland Assembly for the same powers to be transferred to them. If those powers were not transferred, the people of Wales and Northern Ireland could rightly say that they were being discriminated against.

Jonathan Evans: May I caution the hon. Gentleman about saying that exactly the same powers should be offered to Wales? Wales is not Scotland. Speaking as the chairman of the Welsh Conservative party, I must tell him that the Conservatives are the official Opposition there. That is not the position in Scotland. We are two very different countries.

Mr Godsiff: I did not say that the powers would automatically be transferred. I said that they would have to be offered to the people of Wales and Northern Ireland, because if they were not, the people of those countries could rightly say that they were being discriminated against.

Once Scotland has been given devo max, if Wales and Northern Ireland choose to go down that path as well, there will in my opinion be an unstoppable momentum for an English Parliament to be set up. That is, and has always been, the logic of devolution, and we have to live with that. This raises other questions as well. If we have four Parliaments responsible for a whole range of services, the role of the Westminster Parliament will have to change. Westminster could of course retain its role in foreign affairs, defence and international trade matters, as well as a whole range of residual responsibilities, but such a change would automatically mean that there would be no need for such a large House of Commons, because many of the services would have been devolved. We would need a much smaller House of Commons.

As part of the new constitutional settlement, we are going to have to ask other questions. Would the Westminster Parliament continue to need two Chambers, the House of Commons and the House of Lords, or could we have a unicameral Parliament? Would we need to retain the House of Lords in its present form, or could it be abolished? If these changes were to happen, the four devolved Parliaments, together with the Westminster Parliament, would also have to decide on the role of the monarchy in the new constitutional settlement. On the front page of *The Guardian* newspaper today, Prince Charles's spokesman is suggesting that King Charles III would have a much more activist role in British politics, so it might be appropriate to have such a discussion.

The Scottish referendum has changed politics in the United Kingdom completely, and we cannot turn the clock back even if we want to. Once we started down the road of devolved government in this country, we were always going to be faced with the prospect of referendums on independence. Such referendums will be won only by winning hearts and minds, as happened in the Scottish referendum. There will be more of them in future. The reason that nationalist parties exist—in Scotland, Wales and indeed in Northern Ireland—is to seek to achieve independence for their countries. That is

perfectly reasonable and proper, but if that was not their objective when those parties were set up, they would have no future role whatever.

Like it or not, we are moving towards a federal structure in the United Kingdom. I believe that that holds considerable attractions, although others will disagree. The momentum is such that it is going to happen, however, and I believe that it will happen sooner rather than later.

1.57 pm

Mrs Anne Main (St Albans) (Con): I apologise for missing the first few remarks made by my hon. Friend the Member for Esher and Walton (Mr Raab). I should like to say that it was a pleasure to listen to the hon. Member for Birmingham, Hall Green (Mr Godsiff), but it kind of wasn't, really. It was disappointing to hear the suggestion from the Opposition that the devolution of powers is a way of splitting up the Union by the back door. I do not believe that it ought to be, or that it was ever meant to be. Scotland voted to remain part of the Union, and I am very glad that it did so.

Powers have gone to Wales and Scotland, and quite rightly so. They should have a say over how they run certain important matters that are particular to them. This cannot be a one-way street, however. We cannot give powers back and not expect that to have an impact on the workings of this place. Inevitably, there will be subjects relating to Scotland and Wales that we will be expected not to vote on. Stamp duty could well be one of them. This is a subject that I am particularly passionate about, because Scottish Members could potentially vote on stamp duty in England. According to the latest figures, my constituency pays more stamp duty than Scotland and Wales put together, and I find it amazing that I would have no say over stamp duty in Scotland, yet Scotland could well have a vote on stamp duty in my constituency. That is rather bizarre.

The logical conclusion of our giving powers to Scotland is that we should recognise the democratic deficit that it has created in our own Parliament. That needs to be addressed. I accept that we have a united Parliament, but that does not mean that we cannot come up with a system that recognises the new arrangements. We do not need to create a whole new English Parliament, as the hon. Member for Birmingham, Hall Green suggested, but we need to observe custom and practice and say that there are certain things that hon. Members from Scotland or Wales should not participate in. That would be a fair situation.

Naomi Long (Belfast East) (Alliance): I remind the hon. Lady that Northern Ireland remains part of the United Kingdom, in case we are in any doubt. Does she agree that a similar approach should be taken when reserved and excepted matters for Northern Ireland that affect only Northern Ireland are voted on in this place? On those occasions, where Northern Ireland Members have agreed on a certain course of action we are often overruled by English MPs.

Mrs Main: The hon. Lady makes an interesting point, and I am certain that there would be no reason why, if the motion is carried today, everything could not be on the table for discussion. It would be up to her to make her case, but I think that what she describes is very

different from what the hon. Member for Birmingham, Hall Green was suggesting, which was that we have to split up the whole of the Union into little tranches of competences. It would be unrealistic, and it would certainly result in a democratic deficit, to suggest that people in Scotland can have grabbed power for themselves, and rightly want to use it, but resist giving away any of their powers in this place. I know it suits the Labour party to try to keep those powers, but we have to make the case that it is not reasonable and not fair.

Lord Barnett has said the following about the Barnett formula:

“It is unfair and should be stopped, it is a mistake. This way is terrible and can never be sustainable, it is a national embarrassment and personally embarrassing to me as well.”

I do not believe we should scrap the Barnett formula, but we should certainly review it, and whatever comes out of that would be done with the will of the House. Far less money is spent on my constituents and I find it hard to justify to them that in my constituency, which contains areas of multiple deprivation, people get some 11% less than the UK average, 23% less than Scotland gets and 28% less than Northern Ireland gets.

Mr MacNeil: *rose*—

Mrs Main: I will not give way. I am sure that many MPs on the Benches around the hon. Gentleman want to make the case for the Scottish National party.

Because of the flaws I am outlining—*[Interruption.]* My constituency is not in London. St Albans is in a county above London, and we are not part of the London development system up there, but we have to pay a high price for our properties. My constituents do not understand why they are net contributors to the Chancellor's coffers and do so badly when they are trying to get services—

Pete Wishart (Perth and North Perthshire) (SNP): Will the hon. Lady give way on that point? She cannot get away from it.

Mrs Main: I can get away from it—I can ask the hon. Gentleman to sit down. My constituents are as much in need of services as any other constituents. *[Interruption.]* If he wishes to make his speech when he gets to have his turn, fair enough, but please stop barracking me from the Opposition Benches. My constituents are entitled to expect a decent level of services, and it is hard to provide that when the formula is so skewed in the way that it is. We should look at it and review it.

Pete Wishart: On that point—

Mrs Main: I think I have made it clear to the hon. Gentleman that I do not intend to give way on the Barnett formula; my constituents are very exercised about it. St Albans city & district council—Conservative-led—has frozen council tax for the seventh year in a row, but people cannot expect to have money come out of nowhere. My constituents find it difficult when they see people north of the border having far more money spent on their services.

People have talked about respecting the views of Scotland when it voted on independence. It is a shame the SNP does not do that, because it seems as though

this is a “neverendum” campaign—it is as though the vote never happened. It is as though it has just been a blip on the road to still delivering independence. So may I say to SNP Members that the vote was lost? They may not have noticed that. Its new leader—as of today—has said recently:

“I want this party of ours, this movement of which we're so proud to belong, to keep making the case for Scotland being an independent country.”

As such a large amount of Scots' money has been spent on this—about £14 million, I believe—may I suggest that we rest the matter for a while and now try to address the democratic deficit that has come out of it? The campaign for independence was lost and now we have to ask how we get a good deal for Scotland; as was promised.

The deal that was promised by all three leaders was that Scotland would have new powers and a fair deal under a Barnett formula or something like a Barnett formula—I do not know what it will be called. Inevitably, as has been said, times move on. The argument has moved on from all the power being here to the power being shared out by those who best know how to use it—I am sure the Scots would not object to that description—for their own local communities, so that shows that the argument has moved on from independence. It is time we drop the “neverendum” campaign, constantly dangling the prospect of independence, and say, “Let us get the right deal and the right formula.” That right formula must be obtained for constituencies such as mine, which say that it is not fair that people in Scotland who have no interest in the stamp duty in St Albans may have a say on it, whereas my constituency will have no say on stamp duty levels in Scotland. Let us recognise that democratic deficit. Let us ensure that we have a fair deal. I cannot see why anyone on the Opposition Benches would argue against a fair deal for their constituencies in England—they would have to explain to their own electorate why they would like to remain in an unfair scenario created as a result of the referendum vote.

2.5 pm

Mr George Howarth (Knowsley) (Lab): First, I thank the Backbench Business Committee for the opportunity to have this debate and the hon. Member for Esher and Walton (Mr Raab) for introducing the subject. I want to discuss city regions and, specifically, the Liverpool city region, but first I wish to make two brief general points. The first, which is largely accepted across the political spectrum, is that there has been over-centralisation in the UK, as a result of which our city regions—and, some would argue, our counties—have underperformed on productivity, investment, value added and many other things. The second is that, without doubt, there is public disenchantment with the Westminster-Whitehall model and an appetite, certainly in my constituency and in my city region, to ask what we can do for ourselves and whether we can do it better than central Government and the Westminster-Whitehall model.

I now wish to discuss how the Liverpool city region could move towards a better model in terms of fiscal powers and additional powers that currently are either with central Government or with other bodies that are not directly democratically elected. On fiscal devolution, I wish to make two points. First, as a result of fiscal devolution there is a need to enable city regions to

[Mr George Howarth]

retain local investment and local taxation; local finance bonds offer potential, and it is necessary to remove the restrictions currently on local government and, in particular, on combined authorities in the work they can do to support growth. I will not labour the second point, but there needs to be greater flexibility on borrowing. When there is a big strategic reason, such bodies should not have to go cap in hand to central Government, but instead operate a more prudential system to determine what is right.

Ann McKechin (Glasgow North) (Lab): My right hon. Friend is making a persuasive argument. Does he agree that, constitutionally, the role of local or regional government needs to be safeguarded, so that central Government, both here and in Scotland, do not dictate the level of council tax or revenue raised by local authorities, thereby hemming in their ability to react to local demands?

Mr Howarth: I am grateful to my hon. Friend. Given what I have said, it follows logically that I do agree with that.

I was going to say a word in response to the hon. Member for St Albans (Mrs Main) but she seems to have disappeared. [HON. MEMBERS: "She has moved."] Oh, I am sorry. She put forward an argument about the Barnett formula, but there is a different, less polarising way of expressing her points that actually supports her underlying argument. I do not personally—and neither, I am sure, do most colleagues, certainly on this side of the House—have any difficulty with the Barnett formula. What I want is a Barnett formula for England, or something equivalent, and others will make a strong case for something similar for Northern Ireland and Wales. The issue is how we get a fairer distribution of resources.

Mrs Main: Will the right hon. Gentleman give way?

Mr Howarth: I will not give way, because I have not got a lot of time, but I hope the hon. Lady will agree that what I am saying—

Mrs Main *indicated assent.*

Mr Howarth: The hon. Lady nods in assent, as what we are saying is very much along the same lines; I just put it in a slightly different way. I think we need a better system of distributing resources, certainly to areas such as mine where the need is great yet is not currently being addressed.

I want to talk briefly about some of the powers. This is not an exhaustive list, but it suggests the sort of areas we could move forward on: innovation, research and development, housing, skills, employment support, infrastructure and, in the longer term, transport, policing, waste disposal and fire and rescue services. Those are the areas we should be, and indeed are, talking about.

I hope we can have this discussion out in the open. What slightly disturbs me is that there are a lot of discussions going on behind closed doors. We need an open discussion about this.

On the Liverpool city region, another issue that arises is what sort of leadership and accountability would be appropriate. There is an issue about whether we have an elected leader, or an elected metro-mayor as some seem to call it. The position that most of the leadership of the councils on Merseyside—and possibly the wider population—take, and which I share, is that we do not want to be prescriptive about this. The Chancellor made the point that there is no one-size-fits-all solution, and I agree, but quiet pressure is being applied behind closed doors, not least from Lord Heseltine, to go along a particular road.

As it happens, I personally would not rule out the possibility of having a directly elected mayor, but I do think it needs to be the subject of proper discussion, and I also believe that that discussion needs to take place out in the open, transparently and publicly, and that, if it goes that far, because this would be a big departure, some means of consulting the public about having an elected mayor should take place, and I personally would favour a referendum on that.

Andrew Miller (Ellesmere Port and Neston) (Lab): My right hon. Friend is putting forward a good case for the city region of Merseyside, and I think he and I would agree that the boundaries of such a region should not be drawn from here in Westminster. Equally, the leadership should not be determined from here in Westminster. Does he agree that whatever model evolves from the discussions, it is essential to get the support of the people behind it?

Mr Howarth: I agree with my hon. Friend, and I think I said as much. I believe that it would be sheer folly to impose a leadership and accountability system without first having the wholehearted support of the wider public.

My hon. Friend also raised a point about what the boundaries might be. At the moment, we are made up of Halton, St Helens, Sefton, Knowsley, Liverpool and the Wirral, but there is a wider appetite for this, certainly from West Lancashire, which is in a process of negotiating whether it wants to be part of the combined authority that already exists. There is also some interest from the west Cheshire local authority area—which my hon. Friend's constituency is in—to see whether it might want to be part of it. It might even encompass, in the wake of what has happened in Manchester, Warrington. I am not making a land grab for any of those areas. It is for them to decide, but I do think that question should be on the table, and it should be something that can be discussed.

What was said of the Scottish referendum is also true for the whole of England: this is a once-in-a-lifetime opportunity to get it right. It is a once-in-a-lifetime opportunity to shift the balance away from Westminster and Whitehall to local communities who know better what they want out of politics and what they want out of services. I hope we can get this right, but most of all I hope we can now have this discussion in the open and in public and not behind closed doors.

2.15 pm

Mr Alan Reid (Argyll and Bute) (LD): I congratulate those hon. Members who secured this important debate today.

Just two months ago, the Scottish people voted decisively in favour of remaining within the United Kingdom. Following that decisive vote, the Government kept their promises and moved quickly to set up the Smith commission to convene cross-party talks and an engagement process across Scotland. The timetable agreed by both the Government and the Opposition involves the Smith commission reporting at the end of next week, draft legislation to implement their findings to be published by 25 January and that legislation being passed in the early stages of the next Parliament. That is the timetable that was promised by the leaders of the three main parties in the run-up to polling day in the referendum, and it is essential that it is adhered to.

So far, the timetable has been adhered to. My right hon. Friend the Secretary of State published a Command Paper before the end of October; in fact it was a couple of weeks early. The Smith commission is working, and there is every indication that it will publish its proposals, as planned, by the end of next week, and I assume the rest of the timetable will also be adhered to.

Of course constitutional change must be fair to the whole of the United Kingdom, and I am sure that in the coming years we will see further progress on devolution for the other nations and regions of the United Kingdom, but further powers for the Scottish Parliament must not be held up while those debates take place in the other parts of the UK.

Sandra Osborne (Ayr, Carrick and Cumnock) (Lab): Will the hon. Gentleman also note that all of the party leaders said in the vow that the Barnett formula should continue?

Mr Reid: The hon. Lady is perfectly correct. That was a vow that was made by the Prime Minister, the Deputy Prime Minister and the Leader of the Opposition, and I would expect that vow to be kept.

Bob Stewart (Beckenham) (Con): If the vow was that the Barnett formula should continue, so be it, but that does not mean it should not be modified.

Mr Reid: The vow that was made in the run-up to the referendum—just before polling day—was that the Barnett formula would continue. I think any reasonable person would interpret that as meaning it would continue as it is. I note that the hon. Gentleman's party leader made that promise in the run-up to the referendum. I assume that his party leader went through the policy-making procedures of his own party before he made that promise. *[Interruption.]* As an outsider, I have always assumed that the policy-making procedures of the Conservative party were that the leader made policy. None the less, the hon. Gentleman is a member of the Conservative party, and his leader made that promise and I would expect the party to adhere to the promise made by its leader.

Mr Raab: May I ask the hon. Gentleman what happened to the promise made by the leader of his party and every candidate in the 2010 election to change the Barnett formula to a needs-based formula?

Mr Reid: The coalition agreement has been adhered to. At my party's conference in October—it is usually in September, but the SNP chose a date that falls during our conference for the referendum—we passed a motion that the Barnett formula would be continued. The hon.

Gentleman is correct that we had a different policy in the past, but we have a democratic policy-making process in our party, and the party, through its democratic policy-making processes at our annual conference, has voted that the Barnett formula should continue.

Pete Wishart (Perth and North Perthshire) (SNP): That is all right then.

Mr Reid: Yes, it is all right. That is a point on which we agree, but it is about the only one.

Where I do agree with the movers of the motion is that the West Lothian question must be addressed. There is clearly an unfairness that I, as a Scottish MP, can vote on health, education and other matters as they affect England, but not in my own constituency. Clearly, that must be addressed. The only way to do that is to set up a federal system for the United Kingdom.

Mr Frank Roy (Motherwell and Wishaw) (Lab) *rose*—

Mr Reid: Let me just finish this point. Any solution that involves removing the ability of MPs outside England to vote on English matters will inevitably lead to a situation in some future Parliament in which a Government would not be able to get its English business through the House. We have all seen what happens when there is gridlock in the US, and I hope that we would not want such a situation to arise here. But that is exactly what will happen at some point if the only change that was made was to stop Members from outside England voting on English-only matters, but not changing any other part of the constitution. Setting up a federal system for the UK is the way to resolve that issue.

Mr Roy: For that change to take place, does the hon. Gentleman agree that a constitutional convention should be set up to look at not just Scotland or any other region but the whole of the United Kingdom, and the way that it is governed? If there were such a chance to vote on a constitutional convention, how would he vote?

Mr Reid: I certainly agree that a constitutional convention is a good idea, but it must not hold up the present process of devolving further powers to the Scottish Parliament. The present Smith commission process must go forward, but a constitutional convention to look at the whole UK is certainly a good idea.

Mr Michael McCann (East Kilbride, Strathaven and Lesmahagow) (Lab): The hon. Gentleman made the point that we must consider Scottish MPs voting on issues such as the English health service, but does he not see the contradiction in relation to Barnett? Any increases to the English health service and any increases in finances mean that there is a consequential effect through Barnett to Scotland, so those issues have to be analysed as well.

Mr Reid: The hon. Gentleman makes an interesting point. Legislation does not of itself lead to more spending. We allocate spending when we pass the estimates every year. Although legislation may mean that carrying out certain functions costs more money, the decisions on spending are made only when we pass the estimates. Certainly when we pass the estimates for the English health service, there is a knock-on effect for Scotland. It

[Mr Reid]

is perfectly in order for Members of Parliament representing constituencies outside England to vote on those issues, but legislation purely for the English health service could be left to the English representatives. But the only way that that can happen in practice is if we set up a federal United Kingdom with an English Parliament. If Members cannot vote on some issues in this Parliament, it will lead to a situation in which a Government cannot get their policies through.

Naomi Long (Belfast East) (Alliance) *rose*—

Mr Reid: The hon. Lady must be brief because I am running out of time.

Naomi Long: I will be brief. Welfare reform has a massive impact on Northern Ireland, yet the devolved powers that we have are technical only, and we cannot deviate from parity and still be able to afford it. So will he not accept that there is an issue?

Mr Reid: Clearly, there is an issue that affects Northern Ireland. It is responsible for a great deal of spending, but has no tax-raising powers by itself. I am not in favour of devolving welfare to Scotland, but it is already devolved to Northern Ireland. Perhaps the Northern Ireland experience is an indication of why it is not a good idea to devolve welfare.

Where I part company from the movers of the motion is that I think there is no need to hold up the Smith commission process in order to have a review of the whole UK. On the eve of the referendum, the leadership of the three main parties made a vow, and it is essential that that vow is adhered to; what was promised must be delivered.

2.25 pm

Angus Robertson (Moray) (SNP): I congratulate colleagues on securing the debate. Something that has gone unmentioned so far in these proceedings is the fact that this is an historic day for Scotland, the Scottish National party and Nicola Sturgeon, Scotland's new First Minister. She is our first female First Minister. For colleagues who had the opportunity to see First Minister's questions today, they would have seen a remarkably talented politician, and I, along with many others from across the Chamber, wish her well. Perhaps ours is the only Parliament in the world that has the three largest parties being represented by women from the Front Bench.

Sheila Gilmore (Edinburgh East) (Lab): I fully agree that that is a step forward. I hope that the hon. Gentleman will want to endorse the 50:50 campaign to improve the representation of women in political and public life.

Angus Robertson: I am a great supporter of the representation of both men and women, and feel that there should be no glass ceiling. I am more than happy to look at any way that helps to secure that.

Several hon. Members *rose*—

Angus Robertson: I am still only in my introductory remarks. It is also important on such an historic day to pay tribute to Alex Salmond on his leadership of the Scottish National party and his premiership as First Minister, both in minority and majority Governments, and for delivering free education in Scotland and the independence referendum.

Dr Julian Lewis (New Forest East) (Con): I do indeed pay tribute to Alex Salmond who is a very considerable figure. By resigning, he seems to have recognised the outcome of the referendum. If the referendum had voted yes, that would have settled the issue for all time. Does the SNP accept that by voting no, it has settled the issue at least for a generation?

Angus Robertson: I was coming on to make the point that the Scottish National party and the Scottish Government continue to believe that Scotland should, and will in the future, be independent. However, we accept both the result of the referendum on 18 September and the fact that independence will not be the outcome of the Smith commission. What is beyond doubt is that the people of Scotland expect early and substantial change. I am not talking about something that is dependent on English votes for English laws—much as I have sympathy with that as an issue—the West Lothian question or the subsidy argument, from which many people in Scotland will recoil.

Rory Stewart (Penrith and The Border) (Con) *rose*—

Angus Robertson: Forgive me, I have already taken interventions and want to make some progress. It is likely that I will be the only Member who speaks on behalf of the 1.6 million people who voted yes for independence in the referendum.

What is beyond doubt is that the people of Scotland expect early and substantial change—change that will give the Scottish Parliament the further powers and responsibilities that it needs to tackle the challenges facing Scotland in a way that responds to the views and votes of people in Scotland. That is what was promised in the referendum campaign, and it is what people now expect to be delivered without any conditions.

Several hon. Members *rose*—

Angus Robertson: I have already given way, so I am making some progress.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD) No, you are not.

Angus Robertson: The hon. Gentleman talks about political parties not making progress. May I draw his attention to the fact that the Scottish National party now has more members in Scotland than the Labour party, the Liberal Democrats and the Conservative party put together? It is currently polling more than 45%, and his party will be reduced to a rump in the general election, which is what it deserves for going into coalition with a party that people in Scotland did not vote for.

Sir Robert Smith *rose*—

Angus Robertson: No, I will not take an intervention.

The Scottish Government have set out their approach to delivering progress. They propose maximum self-government within the Union. Others would describe this as devo-max, as we have heard already, home rule or perhaps even federalism. The SNP and the Scottish Government argue that further devolution should be underpinned by clear principles. It must respect the sovereignty of the people of Scotland and enhance the financial and democratic accountability of governance in Scotland. As part of this, the Scottish Parliament should have the ability to devolve power further to local communities and authorities. It should transform the ability of the Scottish Parliament and Government to meet the challenges they face and, in particular, enable Scotland to be a more prosperous country, to be a fairer and more equal society, and to have a stronger voice in the EU and internationally on matters within devolved competence. It should be equitable and transparent in its approach to resources, risks and rewards, including arrangements for Scotland to have access to taxes raised in Scotland with transitional or residual transfers of resources based on the current Barnett formula.

The Scottish Government have set out their proposals for extending self-government in Scotland consistent with those principles to deliver full fiscal responsibility for the Scottish Parliament with all tax revenues being retained in Scotland. The Scottish Parliament should have policy responsibility for all taxes unless there is a specific reason for a continued reservation. In particular, the Scottish Parliament should have full autonomy for income tax, national insurance, corporation tax, capital gains tax, fuel duty, air passenger duty and inheritance tax. The Scottish Parliament should be responsible for all domestic expenditure, including welfare, and should make payments to the UK Government for reserved or shared services. The Scottish Parliament should have a sustainable framework for public finances, including the necessary borrowing powers and an agreement with the UK Government on the overall approach to public finances. Our view is that as a part of any agreement the Barnett formula should continue to be used to determine Scotland's resources.

Margaret Curran (Glasgow East) (Lab): Following on from the logic of the hon. Gentleman's argument, may I ask that his party respects the Smith commission when it reaches its conclusions next week?

Angus Robertson: We are respectful of the Smith process and I await the outcome of the commission. I look forward with great optimism to its proposals being those for which we would all wish.

Scotland should get the financial benefits as well as having the tools to manage the risks of its new responsibilities, and the Scottish Government's responsibility for all welfare policy and administration should be devolved. As a priority, that should involve all working-age benefits. In the meantime, the roll-out of universal credit and the personal independence payment in Scotland should be halted to ensure that the practical ability to devolve individual benefits is not compromised.

Employment and employability policy, including responsibility for setting the minimum wage and all employability programmes, should also be devolved. Equal opportunities and the equality policy should be

devolved. I could go on, because there are many further powers that should be devolved, and that is not just the view of the Scottish National party. The public have been asked about them in a range of academic studies and a series of polls, and it is important that Members are aware of the strength of feeling on these matters.

Rory Stewart: On that point, will the hon. Gentleman give way?

Angus Robertson: I have not even read out the statistics yet. I ask the hon. Gentleman to wait to hear them.

In the most recent survey, conducted by Panelbase, 71% of respondents said that they wanted control of all taxation raised in Scotland, 66% wanted control of all areas of Government policy except defence and foreign affairs, which is sometimes referred to as devo-max, 75% wanted control of welfare and benefits, 65% wanted control of policy on the state pension, and 68% wanted control over oil, gas and tax revenues generated in Scottish waters. The list goes on.

Rory Stewart: On that point, 55% of the Scottish population expressed their wish not to have independence. Will the hon. Gentleman tell us the minimum time that he will guarantee will elapse before another referendum on independence? Is it 20 years?

Angus Robertson: I hope that the hon. Gentleman and I agree that such a question will be posed when the people wish it to be posed. The result was not the one that I wanted. It was a no and I am sorry about that. I would have wanted Scotland to be negotiating progress towards independence, but it is not happening now. However, I believe that it will happen in the future when the people wish it to happen.

I have very little time in which to conclude, but let me say that there should not be a conditionality on what was promised in the vow. It should be delivered in full and it should not be tied to English votes for English laws or to the Barnett issue, and for that reason we will oppose the motion.

2.34 pm

John Glen (Salisbury) (Con): I am delighted that the motion is before the House and I would like to address two particular issues: spending disparities across the UK and the vexed issue of how to implement English votes for English laws. Before the recent referendum, party leaders promised a continuation of the Barnett formula and the powers of the Scottish Parliament to raise revenue. It is vital, if the integrity of political leaders is to be respected and believed, to take this promise to the Scottish people seriously and to work within the confines of the Barnett formula arrangement.

To say that the debate about the referendum did not make people across the United Kingdom think very carefully about the fairness of the allocation of resources is to miss the point considerably. The Barnett formula is just one aspect of the wider question of spending disparities across the UK.

Mr MacNeil: Will the hon. Gentleman give way?

John Glen: No, I will make some more progress. All sides of the debate acknowledge that there are disparities in per capita spending across the UK regions.

Pete Wishart: For the sake of clarity, as lots of people in Scotland are watching the debate, are Conservative Back Benchers saying that this Parliament subsidises Scotland through the Barnett formula? Are we subsidy junkies according to the Tories?

John Glen: If the hon. Gentleman can contain his anger and listen to what I have to say, he will notice that I have not mentioned the word subsidies. It is he who keeps mentioning subsidy, and it is not in my speech—[HON. MEMBERS: “The hon. Member for Esher and Walton (Mr Raab) did!”] But I have not and I will not.

To have an informed debate about funding reform, we need to think carefully about why the disparities exist. Some exist for reasonable historic reasons. However, differences in health spending, for example, due to different demographics and sparsity issues need to be fully examined and we must have a national debate on them. It is right to say that the case needs to be made for each significant disparity. The whole referendum debate has provoked a discussion in this country and we need to address it.

Mr MacNeil: Will the hon. Gentleman give way?

John Glen: No, I am going to continue with my speech.

That cannot be done on the basis of one short-term fix. In the next Parliament, the Government should establish a fair funding commission that would look comprehensively at the distribution of spending across all Government Departments over all regions and all aspects of that distribution. It could clearly take into account economic geography, a consistent definition of sparsity, demographic inequalities and historical differences in funding settlements. I believe that it would then quickly become clear that the distribution of taxpayers' money is complex and that some proposals to deal with spending disparities are too simplistic. Fiscal devolution at a national level is not sufficient by itself. Some residents in Wales might use NHS services across the border in Herefordshire, for example, and vice versa, and it is important that we take account of such scenarios.

We also need to recognise the tension between the needs of metropolitan and rural communities, which particularly concerns my constituents in Salisbury. A fair funding commission would allow us to make mature, long-term decisions about funding levels based on comprehensive data and an appreciation of all the relevant factors across the whole United Kingdom. A wide range of options for reform would be available, including reviewing the baseline for formulas or introducing a fair funding consolidated grant.

Hywel Williams: Does the hon. Gentleman agree with the findings of the commission that looked into funding for Wales, which found that Wales had been chronically underfunded for many years?

John Glen: I favour a fair funding commission that would examine all funding across the United Kingdom at the same time, not the cherry-picking of reviews. We must ensure that any solutions are led by the will of our constituents. The clear reaction against regional assemblies,

following the referendum in the north-east, must lead us to think carefully about the different affinities of different parts of the United Kingdom to the idea that their community, county, nearest city or region should be the locus of power and allocation of resources.

Ms Diane Abbott (Hackney North and Stoke Newington) (Lab): Does the hon. Gentleman agree that attempts at regionalisation in the previous Parliament showed that the British electorate are not interested in new layers of government in England?

John Glen: Absolutely. I agree. I was going on to say that what our constituents want is to avoid a higher cost of politics, more politicians or irrelevant local talking shops.

The Prime Minister also promised a decisive answer to the West Lothian question in the form of English votes for English laws. I know that some hon. Members will advocate an English Parliament or English assembly. I believe that that would be the wrong reform. The Scottish people voted to stay in the United Kingdom, and this House should respect and applaud that. We should not try to break up the UK by other means; we should not make this place a hollowed out, federal senate or part-time English Parliament.

It is important, though, that we deliver a decisive answer to the West Lothian question. We are fortunate to be able to draw on careful work and thinking on this issue by colleagues on both sides of the House and people outside this place. The principle is simple. English votes for English laws demands that hon. Members from English constituencies have sole final discretion on laws that affect only England. It is not always acknowledged that that issue is related to the Barnett formula, but the formula privileges English spending just as changes in English spending create the Barnett differentials applied to the consolidated grant. For this process to continue to have legitimacy, all hon. Members must be able to have a say on English spending. No one should be excluded from speaking or voting. However, to meet the principle of sole final discretion, there must be a majority of Members from English constituencies finally in favour.

Rory Stewart: Does the hon. Gentleman support the McKay commission in relation to that?

John Glen: I was just about to say that there is a considerable body of support among Government Members in favour of the proposals for this double majority found in the McKay commission report, but it should be calibrated to ensure that sole final discretion happens in practice and is not just a convention. In the same way as the Barnett formula reform is not as simple as it first looks, I believe that this is not as simple as changing the Standing Orders, as some have suggested. Finance Bills in particular contain a mass of provisions that affect various parts of the UK in different ways. It is not enough to say that discretion can be given to Mr Speaker and his advisers as it is for identifying constitutional Bills.

We will need proposals for a clear test of what is a separate and distinct English issue, whether for a clause or for a whole Bill. These are two issues that we need to get right in order to secure a robust settlement that will

endure for the future. We should not advance over-simplistic solutions, but our constituents expect considerable progress on these issues. I hope that, as a consensus emerges, we will not miss this opportunity to legislate properly for the future and to honour the commitments that were made in recent weeks.

2.44 pm

Mr Graham Allen (Nottingham North) (Lab): If you believe as I do, Madam Deputy Speaker, that the United Kingdom should continue for another 100 or perhaps 200 years, it needs to be built on two solid principles. The first principle is union and the second is devolution. Without those two in tandem, the United Kingdom will be under threat. It is important that we examine the motion before us today in those terms. I suspect that we are not taking devolution as seriously as we should if all that we are talking about is votes on the West Lothian question or the Barnett formula. There is a bigger agenda. Devolution is diminished if we talk only about those two issues. They are a couple of per cent. of devolution for most of us, and for most of us in England, too. Scotland has rightly had a lot of air time, a lot of legislative time and a referendum, but now it is time for England to come to the devolution party, and that is what I want to talk about today.

The Liaison Committee met this morning, and we had in front of us the Prime Minister. The subject was devolution. There were times during that discussion when I felt that the Prime Minister was too chilled out for his own good about devolution. There was a lack of urgency. It was almost as if the problem had been resolved because a referendum had taken place in Scotland. He used expressions such as, “We need to settle this down now,” or, “There is no need to rush these things.” The Scottish referendum was important inside Scotland of course, but outside it allowed us to realise what we could do with a level of engagement and participation that should excite us all given some of the threats to our broader political system in the Union. There are risks.

It is only eight or nine weeks since there was a 400,000-vote difference between Scotland staying in the Union and the Union dissolving. That was just a few weeks ago, yet some of us seem to act as if the problem is over and everything is back to normal, and we have gone back to our default position. Similarly, 23 million people did not participate in the last general election. That is more than the Labour and Conservative vote added together. To imagine that there are not risks and problems in our political system that need to be addressed and can be partially addressed, even largely addressed, by devolution is a dream.

Also since the general election we have seen the rise of an extreme right-wing party. It is polling up to 25% of the popular vote in opinion polls. These are serious issues that can be addressed at least in part and often in large part by giving power back to people, by engaging them in the political system, by involving them and by ensuring that they feel they own their democracy rather than want to vote for an apolitical party.

As for the West Lothian question, it seems strange that the very thing that led a lot of people to be turned off politics and to be lured by separatism is replaced in our thinking by something that is relatively small beer. It is a Standing Orders question. It is a Westminster-bubble

question. I am sorry that the Prime Minister, after this fantastic adventure in democracy in Scotland, was on the doorstep of No. 10 Downing street as the ink on the result was barely dry, talking about English votes for English laws rather than the possibilities of further devolution for the rest of the United Kingdom. Let us deal with the West Lothian question but see it for the relatively small issue it is in the broader aspect of devolution.

On the Barnett formula, of course there will have to be a method of equalisation and redistribution of some description. We are a family of nations and we need to look after each other, just as we do in equalisation in local government.

Angus Robertson: On the family of nations, I am sure that the hon. Gentleman will agree that taking Scotland and the rest of the United Kingdom out of the European Union would be a bad thing. Does he think it is right that all four nations in the UK should have a safeguard on membership—a double majority—should that case be put? One member of a family dictating to the family would be unacceptable, would it not?

Mr Allen: I suspect that the hon. Gentleman, as someone who tried to leave the family of nations, does not speak with quite the authority he may think he has.

What about the positive things we need to address in terms of devolution? It is key—we often say this in the Chamber—that we address the sclerotic over-centralisation of the United Kingdom, particularly with regard to Whitehall. In the big family of nations, we are probably the third most over-centralised nation of the western democracies. Albania is worse than us—that is an obvious example—and, of course, the SNP’s Scotland is also massively over-centralised, sucking up powers on a daily basis. We can hear that slurping sound of local autonomy being sucked into Holyrood, which makes it a highly centralised nation.

Ms Abbott: Does my hon. Friend agree that one of the issues arising from the current debate on devolution and the Union is that of more powers for our great cities? As the London Finance Commission and the Independent City Growth Commission have set out, there is a strong argument for many of our great cities to be allowed to keep more of their property taxes and to empower people in those cities.

Mr Allen: My hon. Friend is uncharacteristically moderate in her proposal on this occasion. I will come to some better ideas that she may care to think about.

To continue the dialogue with my friends on the SNP Bench, double devolution—in other words, taking stuff beyond the devolved settlement and into local authorities, and even into neighbourhoods and communities—is one of the things we need to press when we discuss devolution, rather than run after the bone the Prime Minister threw out at 7 am on the day after the referendum. Such key things need to be on the agenda when we talk about devolution.

Of course, the pledges made to Scotland in the vow have to be pulled together. Indeed, as we speak they are being pulled together in the Smith package. I am used to seeing SNP Members rolling around in agony and crying, “Foul!”, but this is the first time they have done

[Mr Allen]

it before the starting whistle of the match has been blown. People of good will in all parts of the political spectrum want this package for Scotland. I want us to do it, first, because it is honest, and secondly, because it will set a bar and a benchmark for what we in England should get as we talk further about devolution to our cities, towns, villages and rural areas across the whole of England.

If we are going to do this, we—particularly my own party—have to come to terms with the concept of giving genuine independence to local government, just as most local governments in most western democracies enjoy. For the first time in this country, local government would be equal rather than subordinate and supplicant, holding out for, in effect, charity from the centre. That needs to be entrenched and beyond easy repeal.

We are opposite the building that used to house the Greater London council, which on the whim of a particular Prime Minister—although it could have been any of them—was abolished, as were other tiers. We need to entrench local government, rather than give it powers that could be taken away at a later date. We need to give it its own life. It is pointless giving people powers unless we give them the right to have what Scotland has pioneered, namely an assignment of income tax to ensure that it can maintain its financial certainty. A second Chamber made up of representatives from the four nations of the Union is also key. Let us not be modest; let us be ambitious for devolution beyond Scotland.

2.54 pm

Sir Gerald Howarth (Aldershot) (Con): I apologise to the House for not having been here at the start of proceedings. I hope Members will understand that I was having lunch with our former colleague, my great friend Mr Geoff Hoon, a former Defence Secretary who now does sterling work promoting British defence exports around the world on behalf of Westland Helicopters and who is currently based in my constituency.

I salute my hon. Friend the Member for Esher and Walton (Mr Raab) and the others responsible for bringing this debate before the House. It is of enormous importance because, first and foremost, we tamper with constitutional matters at our peril. We should be very, very nervous about upsetting constitutional arrangements. There is no doubt that the devolution process, which was started in 1997 by the previous Labour Government, was designed to be a sop to nationalist sentiment, but far from being a sop it actually fuelled it. I took part in the Scotland referendum, along with my right hon. Friend the Member for Berwickshire, Roxburgh and Selkirk (Michael Moore). I went up to Scotland and as an Anglo-Scot—my Douglas family are on the borders of Scotland—I found it a very depressing experience. I believe it has opened Pandora's box.

Reference has been made to the vow. [Interruption.] I will make some progress before I let the Scottish nationalists intervene. The so-called vow issued by the leaders of the three main political parties was, I recall, dismissed at the time by the Scottish nationalists as just a gimmick. Now they have grasped it as though it were the holy grail. It is as though the vow, which was made out of

nowhere, is now the very thing on which they hang. I made it clear at the time, as, indeed, did many people I spoke to on the doorsteps in Scotland, that the leaders could only make those promises subject to the will of Parliament. They cannot just make policies—certainly not policies of such constitutional importance—on the hoof. It had to be a decision of this House and the other place. It should, therefore, come as no surprise that it is not being taken for granted by anybody other than the Scottish nationalists.

Dr Julian Lewis: I am completely undecided on the correct course to take when a vow that could well have influenced, to some extent, the result of a referendum was given without the authority of Parliament. Does not the whole process show the danger of panic reactions by all three party leaders in the aftermath of a single rogue opinion poll?

Sir Gerald Howarth: My hon. Friend makes a valid point. I think that one of the factors that influenced the campaign in the end was my right hon. Friend the Prime Minister speaking directly to the Scottish people about his passion for retaining the Union and his belief in the importance of Scotland.

Unlike my namesake, the right hon. Member for Knowsley (Mr Howarth), I do not sense that there is any enormous appetite in England for a change in our constitutional arrangements. In particular, I do not believe there is the appetite mentioned by the Local Government Association for devolution of further powers to the English regions. Aldershot certainly does not have that appetite, but it may exist in Knowsley.

Pete Wishart: Is it the view of Tory Back Benchers, therefore, that the vow is not even worth the price of the paper it was written on?

Sir Gerald Howarth: That is a very stupid question. The constitutional point is that the leaders of the three parties made a commitment, but they are not in a position to deliver upon that commitment, because it is both Houses of Parliament that make the laws. We do not live in a state where it is the divine right of kings to rule. It is subject to the will of Parliament, and Parliament therefore has to decide on these matters.

Pete Wishart *rose*—

Sir Gerald Howarth: No, the question is so silly that it is not worth responding to again.

I do not believe there is any real appetite for change in England. My principal concern—I am sure it is shared right across the House, apart from by SNP Members—is the maintenance of the Union. I am a Conservative and Unionist. I believe profoundly in the Union. I went to Scotland—my wife went on holiday in the south of France, but I could not be out of the country when the future of my kingdom was at stake. I am a former Defence Minister and I believe that the repercussions for defence, had Scotland gone its own way, would have been catastrophic for England. England would have been diminished. I believe that we are enhanced as a nation by having Scotland as part of this great kingdom.

Mr George Howarth: I agree with the hon. Gentleman. I want to see the maintenance of the Union, but surely he must accept that the best way to make sure that the Union continues is to make sure that all the parts of it are content with the arrangements. I am afraid he is wrong; that is not the case at present.

Sir Gerald Howarth: I entirely agree with the right hon. Gentleman. It is important—I was just coming on to make the point—that devolving further substantial powers to Scotland will, in my view, provoke a backlash from England. England has been pretty quiescent. Unlike the feeling of many Scots, England is not concerned with what goes on in Scotland. It ploughs its own furrow. If there is not a sensible settlement, I believe that England will rise up. England otherwise gets on with its business, but if it feels that it is being dealt with unfairly, there will be a problem.

Something must be done to address the West Lothian question. I shall set out what I think may be the solution, but first I shall say what I do not want: a long drawn-out boring debate—*[Interruption]*—on some grand constitutional reconfiguration of the whole United Kingdom. I do not believe that that is what the nation wants or that it would serve us well as a nation.

Mr MacNeil *rose*—

Sir Gerald Howarth: No. I have given way enough.

I do not want more regional government. My hon. Friend the Member for Salisbury (John Glen) made the point about the situation in the north-east when a referendum was held there. I believe that still pertains. I certainly do not want the abolition of the House of Lords, which is currently the repository of much serious experience and wisdom. The creation of a ghastly senate with some sort of regional representation would do nothing to enhance the democratic accountability that we need in this country.

So what do I want? I want a simple solution. I have been persuaded up till now by the proposal of my hon. Friend the Member for Stone (Sir William Cash), who suggested a change in Standing Orders so that Scottish Members of Parliament are unable to vote on matters which are determined to be solely of English concern. Again, points have been made, particularly by my hon. Friend the Member for Salisbury, about the technicalities that would have to be dealt with in order to arrive at that situation. I quite accept that it could create a crisis, particularly for a Labour Government, for if a Labour Government came to office and their majority were determined by the number of Members of Parliament the party held in Scotland, the Government would be unable to get their legislation through. There is a constitutional issue which my hon. Friends should bear in mind, although it might in the short term be to our advantage.

The best solution is simply to reduce the number of Members of Parliament in Scotland to reflect their reduced responsibilities. That may be the price for maintaining the Union. I believe passionately in the Union and I believe we need to reach out and embrace Scotland. Scotland contributes so much to the United Kingdom. I want to retain Scotland and perhaps that will be the best way of doing it. Although it has been proposed that we should withhold cash from Scotland,

I remind the House than when James VI of Scotland became James I of England, his progress from Scotland to London was accompanied by his being showered with gold by the English all the way through England.

Several hon. Members *rose*—

Madam Deputy Speaker (Mrs Eleanor Laing): Order. Before I call the next speaker, it will be obvious to the House that the excitement of the debate is such, and the number of interventions taken has been so great, that those seven-minute speeches that I asked for have been at least 10 minutes each, so after the next speaker I have to reduce the time limit to five minutes for Back-Bench speeches. There will still be interventions, so those speeches will take seven minutes.

3.4 pm

Mr Frank Field (Birkenhead) (Lab): I will try to meet the five minutes deadline. I am pleased to join in this debate. When I first joined the House of Commons in 1979 I held the views that the hon. Member for Aldershot (Sir Gerald Howarth) held. The world has changed dramatically since then, and this debate should much more accurately reflect those changes. So when the hon. Member for Esher and Walton (Mr Raab) invited me to join him in calling for this debate, I jumped at the opportunity. Although on the Order Paper it is described as a debate about the consequences of Scottish devolution, for most of this House it is a debate about England.

My great fear has always been that for quite understandable reasons, for the protection of our privileges, Labour might seem to be wishing not to speak for England. If we are to have a life as a party, it is crucial that we are seen not to be joining the debate, but to be leading it. The worry is that if we protect privileges that may not be our privileges in the next Parliament anyway with a large representation of Scottish Labour Members in this House of Commons, we will increasingly be seen as a party of ghosts, representing a land that no longer exists. Therefore, I jumped at the opportunity to be a co-sponsor of this debate so that, as far as one can possibly ensure, there is a strong view from the Labour Benches—that has already been represented, particularly by my hon. Friend the Member for Birmingham, Hall Green (Mr Godsiff)—that this is an issue on which Labour wishes to lead. It will clutch it to its bosom and debate it constructively, given the results of the Scottish referendum.

I did not think we were in the position that the hon. Member for Aldershot was when he said that he feared that Scotland would go its own way. The truth is that Scotland is going its own way and we need to adjust to that. In doing so there are two big questions that we, as English Members, must answer in a way that is not spiteful or mean and which does not try to trip Scottish Members up. We need to see that they prosper as we wish to prosper ourselves.

One of those two questions is the West Lothian question and the other concerns the Barnett formula. There are siren voices that have been active in this debate since 1977, telling us that we cannot move on constitutional changes unless we have mega conventions to debate the issues. It is quite clear now what the constitutional settlement will be, whether we in this Chamber like it or not. There are going to be four

[Mr Frank Field]

Parliaments, where England has its voice, Scotland has its voice, Wales has its voice and Northern Ireland has its voice. Although some might object to the name senate, there will be a House of Lords much reduced in size and called a senate, which will have the responsibility of protecting the liberties of the four constituent Parliaments and dealing with those matters not delegated to those Parliaments. Only by having such an arrangement can we honestly stand up and say that we have settled the West Lothian question. Some might say that that will somehow create inequality of Members of Parliament, but we have inequality of Members of Parliament now. I cannot vote on some Scottish matters, but Scottish Members can vote on English matters.

The second issue is clearly the Barnett formula. It was interesting that the hon. Member for Moray (Angus Robertson), who led for the Scottish nationalists, would not say when Scotland would return to demand total independence. His phrase was, "It is up to the people." Scottish Members must understand that while the Prime Minister and the leaders of all the parties may in good faith have said that they will defend the Barnett formula, the next Parliament, which will have a much clearer English identity than this Parliament has, may not wish to honour those pledges.

The starting point for that debate is as follows. Whatever the complications of the formula are, it is totally unacceptable that the poor in my constituency should be less well supported than the poor in Scottish constituencies, let alone the richest people in Scottish constituencies. While of course I agree with my right hon. Friend the Member for Knowsley (Mr Howarth), we do not have to have one or the other. We will have English Parliaments, but we will also see a delegation to the great city regions of England. They are not incompatible.

Mr George Howarth: I think my right hon. Friend has answered my question. We could still get all those disparities within England, and the question is how to address that.

Mr Field: Clearly, the debate about the Barnett formula has to be comprehensive. It has to take up all forms of support and from different sources. At the end of that we must come to a conclusion that we can all defend to our constituents, whichever part of the four countries we try to represent. That debate will take place. It might be called the Barnett formula. That is where the time will be consumed. The time will not be consumed in deciding what is the constitutional settlement, now that Scotland has, in effect, got the independence it wished for.

3.11 pm

Jonathan Evans (Cardiff North) (Con): It is a genuine pleasure to follow the right hon. Member for Birkenhead (Mr Field). He knows that I have admired him as a parliamentarian since I was first elected to the House almost 22 years ago. His standard of contribution today came up to the same level.

I congratulate Scotland on the turnout for the Scottish referendum. People said it was a colossal outcome, and at the same time a lesson to the rest of us in the United Kingdom—84.59% of people in Scotland voted in the referendum. But it is not quite such a lesson, because

when I was first elected to this place in 1992, I was elected with an even larger turnout in my constituency of 85.9%. Why? Because I was elected in a three-party marginal in which most people thought that their vote mattered. That is the key to turnout.

I congratulate those who brought forward the debate. My first point is to the nationalists. I am delighted to see my right hon. Friend the Leader of the House on the Front Bench. I served with him in the Welsh Office when last we exercised all of the territorial powers before the Assembly was created. I then led the Conservative party's opposition in Wales to the establishment of the Assembly. I reiterate that the outcome of the vote that was taken on establishing a Welsh Assembly was a majority of 0.4%. Yet the Conservative party, under the leadership of my right hon. Friend and with my support as spokesman in Wales, fully accepted the outcome of that vote, narrow as it was. The vote in Scotland is 10.6%. That is a very clear outcome, and may I say to our nationalist friends that they would be wise to accept the outcome as well?

We know that we are now engaged in a debate on the offer of powers, but from my perspective, it is important that while we are considering the offer of powers, my right hon. Friend should look for mechanisms to ensure that we get accountability to go with them. I say that because at the moment the computer screen in my office is receiving lots of messages urging me to be here tomorrow to ensure that the Health and Social Care Act 2012 is repealed because of its impact on my constituents. My constituents are in Cardiff, and they are not impacted by that Act in any way because they are in Wales and the Act applies in England. Is it not interesting that Unison is telling people that the Act applies in my constituency, and that, after all the debate in Prime Minister's questions between the two sides of the House on the performance of the health service in England and Wales, in my constituency, a majority of people still think that health is the responsibility of the Westminster Parliament? That demonstrates that we have not got it right when it comes to accountability.

The other unaddressed question is the West Lothian question. That goes back to the issue raised by Tam Dalyell, but it was also raised by my former law firm partner, the distinguished Back-Bencher Leo Abse, the former Member for Pontypool. He said that there was a basic unfairness there that needed to be addressed. It is unsatisfactory that with all the changes that we have seen, and all the additional powers for Wales that we Welsh Conservatives have supported ever since the Assembly was established—the hon. Member for Arfon (Hywel Williams) knows that—nothing has been done to address this unanswered question. For that reason, the right hon. Member for Birkenhead is quite right: the issue must be addressed. It is not English-centric to say that; it is pointing out that we have a system of asymmetrical devolution, and that because these issues relating to England have not been addressed, we have gone down a road that, just a few weeks ago, might have led to the break-up of the United Kingdom. We must not leave the question unaddressed for the future.

3.16 pm

Hywel Williams (Arfon) (PC): Yesterday's *Evening Standard*—not a paper that I read that often, or that I always agree with—noted that the political system was

in danger of collapsing, that the financial crisis had caused an economic meltdown, and that the MPs' expenses scandal, media phone hacking, and police corruption had eroded trust in the established institutions. People are turning away from the established parties, and in England the response has been increasing support for an insurgent political party that, ironically for Members from nationalist parties, offers more Westminster, more privatisation, more austerity and more neo-liberal economics.

In Wales and Scotland, people are increasingly persuaded that a different political direction and social justice will be secured by empowering our national democratic political institutions. I was sceptical about the Unionist vow to Scotland, and am even more so now, given the twisting and slithering from the Unionist parties.

Several hon. Members *rose*—

Hywel Williams: I will not give way. I do believe that some powers will be made over to Scotland, though I suspect that these will fall short of devo-max, modern home rule, or the new federalism proposed by the no campaign. In Wales, national political confidence is growing. Independence is a goal for a minority, but importantly, the majority of Welsh people reject the status quo.

Jonathan Evans: Will the hon. Gentleman give way?

Hywel Williams: I will, to the hon. Gentleman.

Jonathan Evans: I am grateful. I intervened in the certainty that the hon. Gentleman would get another minute from it. He ought to share with the House the fact that the last poll in Wales that I saw indicated that support for independence in Wales had reached 3%.

Hywel Williams: I thought that the hon. Gentleman might raise that point. Support for the status quo was at 37%; 63% of the population wanted a change, and the poll offered four choices. I said earlier in my speech that a minority supported independence, and I am one of that minority.

Paul Flynn (Newport West) (Lab): We have all heard the worrying suggestion that the vow that changed the result of the referendum in Scotland might not be honoured fully. If it is not, will that not invalidate the vote and entitle people to ask for another?

Hywel Williams: I was very glad to allow another Welsh Member to take part, and ironically, he made a point about Scotland. He is entirely right. I wish there were more Welsh Labour MPs here to participate in the debate.

During proceedings on the Wales Bill, we warned the Government that the Bill would be superseded by events in Scotland, which I think has indeed been the case. After the referendum result was known, the Welsh First Minister, Carwyn Jones, called for home rule all round. When asked what powers he wanted, he could suggest only a reserved powers model. That is important, but it is unlikely to inspire the sort of enthusiasm and political engagement that so animated the yes campaign.

Looking more closely at Labour, it seems to have seized Carwyn's plan much as a shipwrecked sailor might hug a bobbing, upturned piano—sufficient to keep him afloat, but unconvincing as a permanent solution to his predicament. Labour's predicament is founded on being petrified of plans for English votes for English laws and their failure to adopt devo-max many years ago, not to mention being horribly tainted by campaigning shoulder to shoulder with the proudly Unionist Tory party. The shadow Secretary of State for Wales, who is not in his place, memorably calls himself a proud Unionist. I am surprised that he is not here to proclaim that Unionism.

Carwyn Jones made a big play about his call for a constitutional convention, as we see Labour doing in its rejected amendment. I tabled a question to the Deputy Prime Minister last year, asking what representations he had received from the First Minister on the matter. His answer was "None". Carwyn was proclaiming a constitutional convention but had done nothing about it. Calling for a constitutional convention is clearly a simple Labour holding line. It is too little, too late, catching up on what was necessary yesterday—a reserved powers model—rather than the powers required for the future.

In contrast, Plaid Cymru last month published a detailed position paper, "Bring our Government Home: Proposals for empowering Wales". It calls for the Wales Bill to include all the recommendations of the Silk commission, rather than the cherry-picking we saw from the UK Government, and, crucially, for a second Wales Bill to mirror the powers that will be made available to Scotland. It would be a balancing Bill, at last ending the practice of Wales playing catch-up with Scotland.

The people of Wales want parity of powers with Scotland. As I mentioned, a poll taken almost immediately after the vote in Scotland found that 63% of people wanted parity with Scotland. The Westminster parties ignore that, and it will be to their cost. They have vowed that the Barnett formula will stay in place, and the Prime Minister echoed that this morning when he appeared before the Liaison Committee—he said very clearly that Barnett reform was not on the horizon. We say that the case against the Barnett formula has been proved in Wales. Even the Labour First Minister says so.

We say that we must have funding equality with Scotland, which means that on a pro-rata basis Wales should receive an extra £1.2 billion a year. That goes well beyond the current Wales Bill. Plaid Cymru's ambition is to improve the Welsh economy so that we can stand on our own two feet. That will not be achieved in the long run while we depend on fiscal transfers from London. To speak plainly, the Welsh Government need a kick in the pants. Growing the Welsh economy can be achieved only through fiscal empowerment.

Lastly, on English votes for English laws, there are several important considerations to be resolved before that can take place. We heard earlier that only eight pieces of legislation over the past four years could be identified as English-only. The point has been made that changes to the NHS and its funding in England have profound implications for Wales. The hon. Member for Cardiff North (Jonathan Evans), of course, has many constituents who access the health service in England. I cannot see how English votes for English

[Hywel Williams]

laws can be introduced simply, but I think that it is a fair principle if it can be done. The obvious solution, as far as we are concerned, is to fully empower the National Assembly for Wales, the Scottish Parliament and the Northern Ireland Assembly.

3.24 pm

Mark Lazarowicz (Edinburgh North and Leith) (Lab/Co-op): It is important that today's debate is based on fact and reality. Given some things we have heard from outside commentators, and unfortunately from some hon. Members from time to time, one might think that we had a situation in which taxpayers in England are generously subsidising those in Scotland, and that Scottish MPs have been responsible for imposing legislation on residents of England against their will. That description is vastly at variance with reality, as hon. Members will know. Of course, I accept the straightforward reality that the level of Government spending per head in Scotland, Wales and Northern Ireland, as defined by Barnett, is slightly higher than that in England, taken as a whole, but the Barnett formula does not present the full picture. Indeed, Lord Barnett never suggested that it did.

The definitions of public spending in the different nations are not necessarily like for like. For example, water supplies in Scotland are in the public sector, whereas in England and Wales they are privatised, so in Scotland spending on water is counted as public expenditure, but in England and Wales it is not. The formula does not fully reflect the public expenditure involved in some of the activities of central Government and the state that are centred here in London. The activity of the state that we see in front of us every day in London generates an immense boost to the economy in the whole of the south-east of England. That is an economic stimulus that nowhere else in the UK enjoys to anything like the same degree.

Sir Greg Knight (East Yorkshire) (Con): Has not Lord Barnett himself said that the formula should not have continued for as long as it has?

Mark Lazarowicz: He did say that, but it did continue, and fairly successfully.

If one compares the relative figures for Government expenditure throughout the different parts of the UK, what is most striking is not the disparity between the averages in Scotland, Wales and Northern Ireland as opposed to England, but the vast disparities within England. I have some sympathy with the complaint of the hon. Member for St Albans (Mrs Main) about the lack of Government spending in her constituency, because the south-east of England—her part of the country—gets two thirds less than average spending in London. London gets 20% above the average across the UK—higher than the relative advantages for Scotland or Northern Ireland.

Let me emphasise that just as I reject setting Scotland against England, I do not seek to set London against the rest of the UK. There are vast disparities of wealth within London, and the economic activity that it undertakes generates burdens as well. My point is that the Barnett formula is only part of the picture. It is a formula for spending, but not one based on a real needs assessment—that is widely accepted. For example, it does not take

account of the costs for Government services of remoteness, or of levels of poverty or other social need. Nor does it take account of the contribution that different parts of the UK make to central Government revenues. Scotland is one of the highest contributors of taxation to central Government revenues—the third highest, I think, in the UK. Different areas and nations put more in; different areas and nations take different amounts out.

Let us get away from the idea that the Barnett formula is a subsidy for Scotland, Wales or Northern Ireland. We are in a state where different nations and different parts of nations will contribute in varying degrees to Government revenue, and different nations and different parts of nations will see Government expenditure at varying levels. I welcome that, because I believe that the strength of the UK is that, with the right Government and the right policies, we can pool and share resources. Indeed, there has not been enough pooling and sharing of resources to tackle some of the real poverty that we see in communities in cities, regions and rural areas throughout the UK.

On English votes for English legislation, there is of course an anomaly. I am not for one minute diminishing the concerns that have been raised in the House, but I wonder how far they are shared among the general population of England. Obviously, MPs from England will know that better than I do.

I agree, however, with my hon. Friend the Member for Nottingham North (Mr Allen) that this issue can be relatively simply dealt with and does not, in any sense, justify any delay in the further devolution that was promised before the referendum. There must not be a cherry-picking of certain bits of political reform that suit the short-term political interests of one or other political party. We can all point to the history of anomalies that this constitution—this state—has had over decades. In the old days, there was the situation with Northern Irish MPs being able to vote as supporters of the Conservative party. There is the whole anomaly, to put it mildly, of the House of Lords. We have to recognise that we need political reform to deal with the alienation of so many people from our political system, but it should not just be piecemeal. It needs to address House of Lords reform. Electoral reform needs to be back on the agenda. The whole issue of regional government in England and Wales needs to be taken seriously. There needs to be root-and-branch reform that is based on respect between the various nations of the UK, and a recognition of the seriousness of the political crisis that is facing politics across the UK.

3.29 pm

Ian Austin (Dudley North) (Lab): Now that the Scots have had their say, now that there is a London Mayor and a London Assembly, now that the Welsh have their Assembly, and now that Manchester is to get a metro mayor with new powers, people in the west midlands are asking, "What about the rest of us?" I want to argue that in this new era of devolution, the west midlands and other English regions should be granted a fairer share of public spending, as well as new powers and greater freedoms.

The truth is, first, that people in England clearly do not think that the current arrangements are fair. Secondly, the fact that our economy is so unbalanced—with business,

finance, the professions and, as a result, growth and wealth concentrated so heavily in London and the south-east—shows that the arrangements do not work for most of Britain. Thirdly, there is clearly a crisis of trust in politics and government.

I think that changing one part of the system, as has happened so far, causes all sorts of problems elsewhere—tugging at one thread of our constitution risks unravelling the whole thing—which is why we need a proper constitutional convention to examine all these matters. The response to greater powers for Scotland is devolution to the English regions, with more decentralisation, more services being delivered and run by local communities, local councils and people themselves, and a fairer share of public spending.

In the west midlands, we have world-beating businesses, such as Jaguar Land Rover and JCB, and world-beating universities, but we have too many people out of work and we have real problems attracting investment for the new industries and jobs that we need to replace the ones we have lost. Output in the west midlands has lagged behind the national average since 1976. If output in the black country alone matched the national average, our economy would be £8 billion bigger. That shows that the current situation is not working for people in the west midlands.

I want the west midlands and other English regions to have wide-ranging new powers, and responsibility for public spending on strategic regional issues, such as regional transport, regional planning and regional economic development and skills. Public spending on services such as housing, regeneration and infrastructure—they are currently delivered in the region, but often by officials accountable to Whitehall—should be decided in the west midlands. I want a Minister for the west midlands with the same powers as the London Mayor, so that decisions that affect the people of the region are taken by people in the region.

I would decentralise further still. I want more services devolved to regional cities, towns and boroughs, and then to communities and individuals. Next, I want Departments moved out of London completely. Why not base the Department for Culture, Media and Sport in Manchester, the Department for Environment, Food and Rural Affairs in East Anglia and the Department for Business, Innovation and Skills in the west midlands?

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): I am very sympathetic to the idea of having a Minister for the west midlands, but why should such a Minister be appointed by a Westminster Prime Minister, while the Mayor of London, with the same powers, is elected by the people of London?

Ian Austin: We can look at all those arrangements, but at the very least we should start by having someone in the region who is responsible for all such powers. I must say—I would say this—that when I was the Minister for the region, I thought the arrangements worked quite well, but let me make a bit of progress.

Moving Departments wholesale to the regions would not just save the taxpayer a fortune, but mean that civil servants were a lot closer to the communities that their decisions affect, that the economic impact of public

spending and civil service jobs was spread more evenly across the country, and that pressure on public services and the overheated London property market was reduced.

We need a review of the way in which public spending is distributed, and a new system that guarantees fairness across the country. Official figures show that public spending is £8,498 per head in the west midlands, compared with £10,100 in Scotland, £10,800 in Northern Ireland, almost £10,000 in Wales and £9,000 in London. The national average is £8,788, so public spending is higher in the north-east, the north-west and Yorkshire and the Humber than in the west midlands.

I recently sent a detailed survey on all these issues to thousands of my constituents. The responses showed that there is huge support for dealing with decisions about England in a different way. Eight out of 10 people said that we need a new system. Two thirds of them supported the idea of having directly elected mayors, as my hon. Friend will be pleased to hear, who are responsible for greater powers in regions such as the west midlands, while just four out of 10 were in favour of having new English Ministers.

The clear point is that the vast majority of my constituents feel that if it is right for Scotland, right for Wales and right for London, then the 5 million people in the west midlands and its cities, towns and boroughs should also have a greater say over public spending and public services in their region. They are asking why people in Westminster who have never lived or worked in the west midlands should make decisions about our priorities.

3.34 pm

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): This debate has settled on three issues: the Barnett formula, more powers for Westminster, and, of course, the famous vow.

Sir Robert Smith: The hon. Gentleman makes the important point that the commitments made by leaders in the referendum played a part in its result and need to be honoured. To that extent, will he say to his new leader that she should honour the commitment made by her predecessor that this was a once-in-a-lifetime referendum, and that no means no?

Mr MacNeil: I thank the hon. Gentleman for intervening before I made any points, because he has allowed me to say something that I had forgotten to include in my speech. He mentioned the “once in a generation” quote, but I think that must be seen in context—[*Interruption.*] I encourage the scoffing hon. Member for Dunfermline and West Fife (Thomas Docherty) to do the same, and to look on YouTube where he will find an interview between Jeremy Paxman and Alex Salmond from seven years ago. Mr Salmond was asked whether a referendum would be a once-in-a-generation event, or whatever, and he said that the referendum would either be once in a generation or when there was another electoral mandate for one. He was very clear on that. He said that in his view it should be once in a generation—[*Interruption.*] Again, Labour Members do not want to hear the truth; they want to invent their own history, and I encourage the hon. Gentleman to look at YouTube because it is clear. Alex Salmond said that a referendum would be dependent on another electoral mandate. He could not

[Mr MacNeil]

bind the hands of the Scottish National party or—more importantly—the wishes of the Scottish people. The next referendum will be when the Scottish people want one, and I hope the hon. Member for West Aberdeenshire and Kincardine (Sir Robert Smith) will be a decent enough democrat to accept that point. I am sure he will when he reflects on it, as will the scoffing Members on the Labour Front Bench.

Mr Frank Field: Whatever YouTube shows, the Scottish people will make decisions when they want to make decisions. Does the hon. Gentleman accept that after the next election, whatever has been promised, this Parliament may wish to make progress on the Barnett formula?

Mr MacNeil: I agree with that but I point out to the right hon. Gentleman that after the next election, according to current opinion polls—indeed, going by stories in the *Daily Record* of all places—the complexion and make-up of this Parliament will be very changed.

Thomas Docherty *rose*—

Mr MacNeil: I will make some progress and then I will give way—[HON. MEMBERS: “Ahh!”] My goodness. I have given way to two people. Labour Members, who are asleep during their own speeches, wake up when the SNP speaks.

Thomas Docherty: Does the hon. Gentleman recall that on 14 September, four days before the referendum, Alex Salmond said, “This is a once-in-a-generation referendum”?

Mr MacNeil: No, I do not recall that—[*Interruption.*] I don’t! But again, that should be seen in the context of whether there is a new electoral mandate or other trigger points. It is quite simple and I explained it in response to the first intervention. The hon. Gentleman has delayed progress in the Chamber by making a fatuous intervention that I had already addressed. Let me get back on track and away from the hon. Gentleman’s diversions.

On the Barnett formula—I address the hon. Member for Esher and Walton (Mr Raab) with this point—it must be remembered that London has the greatest per capita payment and highest Barnett spend, with Northern Ireland in second place. That, too, must be understood in context. When people talk about Barnett spending, they mean identifiable spending, which is about two thirds of the spending round pie. There is also non-identifiable spending such as defence, which is concentrated in the south of England. The UK Government seem unable to tell us where defence spending is spent—they used to, but it became a political hot potato. By contrast, the United States of America can list non-identifiable spending not only at state level but at county level, although it seems beyond the wit of the UK Government to identify down to that point.

Mr Raab: Given all the complications, cloud, and smoke and mirrors that the hon. Gentleman is articulating, does that not strengthen the argument for a review of the Barnett formula and the implications for financial spending and responsibility across the nation?

Mr MacNeil: The review we are looking for, in the context of the Barnett formula, is one with full fiscal autonomy for Scotland where we are rid of these interminable rows and where Scotland spends what Scotland earns. The big point is that Scotland is a wealthy nation that has, each and every year for the past 33 years, provided more tax revenue than the UK average to the Treasury and the Exchequer at Westminster. Members overlook that point.

Mr Raab *rose*—

Mr MacNeil: I am really sorry, but I have been too generous in giving way. Members overlook that point when they talk about the Barnett formula and the hon. Gentleman may want to come back to it in his summing up.

Like it or not—the hon. Members for Aldershot (Sir Gerald Howarth) and for New Forest East (Dr Lewis) did not like it—the big jumping off point is now the vow. Whether Tory or Labour Back Benchers like it or not, that is the truth of the matter. The vow must be seen in the context of what was happening at the time it was made. On 10 September, the Prime Minister said:

“If Scotland says it does want to stay inside the United Kingdom, then all options of devolution are there, and all are possible.”

The right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), the former Prime Minister—Gordon Brown, for those at home watching who might not be absolutely certain who I mean—said:

“The purpose of the Scottish Parliament should be to use the maximum devolution possible”.

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. We do not usually use a Member’s name, certainly when he is not informed of any discussion that may take place. I am sure the hon. Gentleman would not have done that on purpose.

Mr MacNeil: I am always delighted to follow your guidance, Mr Deputy Speaker. If they want to strike it from the record they can. I was trying to make a wider communication point, but I understand and respect what you are saying.

The vow was surrounded by those remarks and the vow ended the option of the status quo; it moved the argument on. The muddle, of course, is what is meant by the vow. In this Chamber, I asked the right hon. Member for Kirkcaldy and Cowdenbeath whether, when he signed up to the vow, he knew what he was signing up to. My suspicion, after the Downing street EVEL declaration on the morning after the referendum, is that he was duped. He will know whether he was or not.

I am not sure what the three amigos meant by the vow when they signed up to it on the front page of the *Daily Record*. The “three amigos” is the collective name in Scotland for the leaders of the Labour, Liberal and Conservative parties—they are seen as much of a muchness. [*Interruption.*] There they go—the cackling starts again. I suspect that before the referendum the vow meant anything at all to keep Scotland within the Union. After 18 September, they meant it to mean as little as it possibly could.

On the Smith Commission, we know what the Scottish people want: they want Scotland’s Parliament to control many areas of policy. Polls show that they not only support the Scottish National party; they support income

tax, corporate tax, welfare and benefits, and pensions being dealt with in the Scottish Parliament. If the Smith Commission fails the people's hopes, the polls show that people well understand who the champions of Scotland are and who will put Scotland first. That is why the SNP has between 45% and 59% support in the polls. The complexion of this Parliament will change next May as a result. There are many trigger points that could cause a new, second independence referendum in Scotland. One is an exit from the EU. Another—the most likely—is the demand of the Scottish people for power to go to their Parliament to change their lives, their communities, their families and their neighbourhoods.

3.43 pm

Ian Murray (Edinburgh South) (Lab): It is always a great pleasure to follow the hon. Member for Na h-Eileanan an Iar (Mr MacNeil). I am surprised he has been able to speak in this debate, because he has been telling everyone that the SNP was restricted to one speaker. As I understand it, he actually applied to speak some time ago. Perhaps we can get a bit of reality into these debates, because they are incredibly important. I am very grateful to the hon. Member for Esher and Walton (Mr Raab) for securing the debate, because it is very important that we discuss these matters in the light of the independence referendum.

I would like to reflect on the comments made by the hon. Member for Moray (Angus Robertson), who is not in his place. He made what I think was a rather disingenuous speech, saying that he was speaking in this House on behalf of 1.6 million people. I thought he would be representing his constituents. I will be speaking for everyone in Scotland, because that is what we are here to do. We are not here to rule out those who voted yes or those who voted no. I hope he will think about that.

Devolution has changed the country for the better, and Labour is the only party that has consistently been the party of devolution. The Conservatives were against it in 1997 when one of the first Bills in Tony Blair's first Government was for a referendum. Thankfully the Bill was agreed by a large margin and the Scottish Parliament came into being. The previous Labour Government set up the Calman commission to put in place the next stage of devolution, and that journey has continued: the Scotland Act 2012 will be implemented in stages up to 2016, and in recent weeks, the Scottish Finance Minister has announced the devolution of stamp duty and landfill tax and what that tax landscape will look like.

Devolution has always been a journey, and Labour has always been the party of devolution. That is why I am surprised by the motion. My hon. Friend the Member for Dudley North (Ian Austin) gave some superb examples of how devolution could help the English regions. However, this area is so complex that I cannot understand why some Members will not accept the need for a constitutional convention. It is incredibly important. If we learned anything from the referendum it was that when we involve people they tend to get engaged to ensure we do what is right for local communities. If politicians cook up something in this place, it will not be accepted around the country, which is why a constitutional convention is the most important thing.

For that reason, it was disappointing when the Prime Minister stepped out of Downing street before it was even light, after the results of the referendum, and

completely trashed what had been said to him as the results were coming through. The vow was clearly in place. It said we would keep the Barnett formula and that more powers would be devolved to the Scottish Parliament. Crucially, however, the cross-party Smith commission, which has Liberal Democrat, Conservative, Labour, Scottish nationalist and Green representation, has been set up and is due to deliver a negotiated settlement on time. I was incredibly disappointed, therefore, that the hon. Member for Moray, when pressed, did not say that he was looking forward to the Smith commission or that he would abide by its conclusions. It sounded like he hinted he might agitate, even though it will be a negotiated settlement.

It is up to us as politicians to listen to what the people of Scotland said, and they said they wanted to stay within the UK and that they wanted more powers for the Scottish Parliament.

Pete Wishart *rose*—

Ian Murray: I am happy to give way to the hon. Gentleman, but only if he makes a relevant point, not a frivolous one, as he has been doing.

Pete Wishart: I will try to do my best for the hon. Gentleman. When the former leader of the Labour party in Scotland, Johann Lamont, left her position, she muttered something about a branch office and the dinosaurs in this place. Does he recognise any dinosaurs among his hon. Friends?

Ian Murray: I knew that would be a waste of an intervention. Many Scottish Members want to speak, but the behaviour of the SNP today has been appalling. I wish it would engage with this issue.

People want politicians elected to represent them to talk about the things they tell us about, and we have listened to the Scottish people. SNP Members might not believe it, but it was a no vote; their own leader said that would be it for a generation. Yet they have even been talking about unilateral declarations of independence. The people have spoken, and politicians must listen. The Smith commission's recommendations will be out next Thursday and will be implemented as per the plan. That was the vow to the Scottish people, and it will be followed through. It is part of a variety of devolution measures that this party has delivered and which are still to come.

Mr MacNeil *rose*—

Ian Murray: I will not give way because I want other Members to speak and time is ticking on.

A constitutional convention would deal with all these issues, alongside devolving £30 billion to the English regions, reforming the House of Lords and turning it into a regional senate, and further devolution for Wales.

These are important debates. We should have more Government time in which to explore these issues properly, but it is clear that the devolution vow and promise made to Scotland will be carried through—separately from all these other issues about English votes and devolution elsewhere in the United Kingdom. This is a view for the whole of the UK and we should do it on that—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order.

3.50 pm

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): Let me pour a bit of oil on this heated debate and remind us of its title, “Devolution and the Union”. All of us bring to these debates some personal experience. For the first 18 years of my life, I lived in a federal state, not in a union. Those who talk about federalism need to be reminded of just what it means. I also spent 18 months on a constitutional convention, so I know what that means, too.

Let us consider three terms. First, what does devolution mean? No one could argue that Labour has not been the architect of genuine devolution within these British Isles. In many ways, the one piece of unfinished business has been devolution in England outside London. We must reflect on that, because we cannot have devolution in the constituent parts of the United Kingdom unless there has been proper devolution in the largest part of that United Kingdom.

The second issue, a puzzling one, arises when we talk about money. I think we have completely forgotten the purpose of transfer payments. The centre collects money in order to redistribute it to the regions according to need. That is the nature of our Union. It is not a vehicle for increasing separatism and it is not a vehicle for increasing special pleading: it is a vehicle of unity, a vehicle of bringing disparate parts together in a fair and proper manner.

The third issue is how our electorates in a United Kingdom and a Union relate to that. What I find really troubling about this whole debate is that those who are strong advocates for devolution sometimes use it as a means of breaking up the Union. If people do not want a Union and they want federalism, they should be clear about what that would mean. As a structure in which one part is disproportionately larger than the others, federalism does not work. People say, “Isn’t it great how Germany works as a federal state?”, but speaking as a German who grew up in Germany, let me remind the House that the only time federalism worked in Germany was after Prussia had been broken up. I would not recommend the Prussian model as one to follow. If people want to follow it, okay, but they should be very cautious.

Federalism in the UK would be deeply divisive. The rest of Europe looks at the model of the Union in the UK as something that this country got to a couple of hundred years before everybody else did, and they admire and envy us for having done so. I find it quite extraordinary that some are trying to go back on that. Let us remind ourselves that the transfer of money is in order to represent the United Kingdom as a Union—

Mr MacNeil: Will the hon. Lady give way?

Ms Stuart: I am reluctant to do so. I found the hon. Gentleman’s speech irritating because he was so ill-tempered and ill-informed. If he promises to make an informed and well-tempered intervention, I will allow it.

Mr MacNeil: I promise the hon. Lady that if my speech appeared like that, it was because of the barracking and level of discourtesy I had to deal with from Labour Members. I apologise to her and doubtless she would

want to apologise for her colleagues. She talks of money transfers, so let me ask her in which direction she thinks these transfers are going.

Ms Stuart: When my children used to behave badly, they blamed their big brother, and it always takes two to pick a fight. I would have thought that the hon. Gentleman was too big and too grown up to be goaded by anyone, so let us come back to the transfer, which is what we are arguing about at this stage. It does not matter what we call it. I have to say that the impetuous behaviour of the Prime Minister after the referendum brought about much of this trouble, and I wish that he had been a little more grown up and reflective on these issues.

Arguments about money involve equal and fair distribution and democratic representation. Scotland had a referendum, for the second time in my lifetime. Some Members may be too young to remember the first referendum, but I do. This is the second occasion on which the Scottish people have spoken decisively on where they wish to be. There must come a point at which we must simply accept what the people have said.

I agree with my hon. Friend the Member for Dudley North (Ian Austin) that devolution in England outside London is unfinished business. I think that we must look much more closely at taxation powers for the city regions. Ultimately, however, when we argue about money, we should bear in mind that it should be used as a mechanism to bring people together and to bring greater fairness. It should not be used as the divisive mechanism for which I think some Members are currently trying to argue, because that would be a very, very bad way of going about things.

3.55 pm

Paul Flynn (Newport West) (Lab): I want to speak on behalf of a group in my party that is little heard of, but involves a long tradition of support for home rule for Wales. It goes back to the time of Keir Hardie, who represented a Welsh constituency. For me, it goes back to the time in 1953 when, as an 18-year-old schoolboy, I marched through Cardiff with a plaid Lafur—Labour party—banner reading “Senedd i Gymru”: “A Parliament for Wales”. That strand has always been there in the party, although it has not always been dominant. It is, to me, a cause for celebration and pride that, after all the generations that have come from Wales for the last 100 years promising devolution and home rule, I had the chance to be here when we delivered on that. It may not be a full Parliament—perhaps it should be described as half a Parliament—but it is a developing Parliament.

I stand here as someone who, for various reasons, has had a lifelong commitment to home rule. I believe that there is a stronger personality in Wales than in almost any other area. We are aware of the distinctive characteristics of other areas, but we have an ancient language—a 2,000-year-old language. In my constituency 2,000 years ago, the children who were *intra muros*, within the boundaries of Caerleon, spoke Latin, while those who were *ultra muros*, outside the walls, spoke Welsh. They still do—not all of them, but Welsh is still heard on the lips of the children, although we do not hear a great deal of Latin nowadays. That says something about the resilience of the language.

When István Széchenyi, a litterateur from Hungary, was asked “Where is the nation? Where do you find it? Where do you look?”, he replied:

“A nation lives in her language.”

All the wisdom, all the hurt and all the folklore of our nation echoes down the centuries in our distinctive language, and, to our great pride, it is now being spoken by more people than at any time in history. Every child in Wales has a chance to learn some Welsh, and many learn it and become fluent. The roots of a great renaissance of Welsh personality and character is there.

It is crucial that we have political institutions. Someone suggested that Carwyn Jones had never expressed a commitment to a constitutional convention. I am one of those who slave away on the Political and Constitutional Reform Committee, and anyone who delves into our fascinating, page-turning reports will find that we have to go through the delicate process of building up a constitution. However, I think that we are being a little unambitious in suggesting that there might be four Assemblies. I have been very surprised by the extraordinary change in the Republic of Ireland following a visit by the Queen, who put on a green dress and stood in Croke park, bowing her head in penitence. A century of antagonism has not melted away, but it has certainly softened a great deal. I can see a possibility that within, say, 20 years there will be a federal system in which we can all join.

It was suggested in *The Guardian* this morning that the next Head of State—

Mr MacNeil *rose*—

Paul Flynn: Does the hon. Gentleman wish to intervene?

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. Members should address the Chair. The last two speakers have felt the need to face in the opposite direction rather than facing the Chair. I think that the hon. Gentleman wishes to give way to the hon. Member for Na h-Eileanan an Iar (Mr MacNeil). I hope that Members will address each other through the Chair from now on.

Mr MacNeil: The hon. Member for Newport West (Paul Flynn) is making a thoughtful speech. Does he think that the Republic of Ireland would have had the same success without the powers that it now has under independence, or what we might call total devolution? Does he think that those powers have contributed greatly to what Ireland has now?

Paul Flynn: I shall tread carefully here. I do not want to get involved in the Scottish situation, on which we remained silent throughout the referendum. Members of my family were in the Irish Anti-Partition League and in Sinn Féin in the 1920s. All those divisions were there, although of course we hope that they will come to an end. That has certainly been part of the history of these islands, and we should rejoice at what has in many ways been a happy outcome for Ireland, after the misery and suffering of previous centuries.

We are now in a delicate position, because what happened in Scotland is having repercussions. The vow must be respected. There is no question of turning back on that; if we do, there will be a wave of cynicism from Scotland and elsewhere. No referendum solves everything; it is never a final moment. I recall the 1975 referendum

on Europe, which hardly settled things in that regard. The entrenched opinions became more deeply entrenched, and that continues to this day, with people still feeling dissatisfied with the result.

In Wales, there was a tiny majority in favour of devolution in 1997, but the next time a vote was held, 65% of the vote was in favour. Huge changes are taking place. When we campaigned for a Welsh Assembly, there were those who said that we were on a slippery slope. Some were against devolution because it represented a slippery slope towards more independence in Wales; others supported it because they were in favour of just such a slippery slope. If there is one certain way of ensuring the break-up of the United Kingdom, it is to arouse the sleeping giant of English nationalism. We have heard about this today, and as the antagonism—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. The hon. Gentleman’s time is up.

4.2 pm

Mr William Bain (Glasgow North East) (Lab): I thank the hon. Member for Esher and Walton (Mr Raab) and the Backbench Business Committee for sponsoring this important debate—the second on devolution in this Chamber since the Scottish referendum in September—although I regret to tell him that I will not be supporting his motion, for the reasons that I will set out.

In that first debate, the House paid tribute to the campaigners and the energising effect that the referendum had had on Scottish democracy, with record turnouts, the public re-engaged in politics, and a decision made about our country’s constitutional future. I hope that we can focus in this debate on why the enduring strength of devolution in the UK won the argument, and on how we can make radical changes to our democracy across the UK which can satisfy people who voted on either side of the referendum in September, as well as the millions more across these islands who want a more decentralised, more democratic and modernised polity in the UK.

Let us be clear about what the current and future parties of Government at UK level put to the people of Scotland in September: increased financial powers to the Scottish Parliament; the retention of the funding model that involves fiscal pooling and adjusting changes in the allocation of resources through the Barnett formula; and the effective entrenchment of the devolution settlement. That promise was not lightly made, and it should be unbreakable and unconditional in its nature, with draft legislation by the end of January and an Act in place early in the next Parliament. That promise was endorsed by the people of Scotland in the referendum, and it requires commitments from all parties in this House. To those who support Scotland staying within the United Kingdom, it means having arrangements for the allocation of shared resources that are not to Scotland’s detriment. To those who still support Scotland leaving the UK, it means abandoning the call to end fiscal sharing expressed by some Members in the name of full fiscal autonomy. That is not compatible with the governance of a modern multinational state, would leave Scotland exposed to wildly fluctuating global oil prices and would mean a £5 billion deficit shortfall for Scotland, according to work done by Fiscal Affairs Scotland on the basis of Office for Budget Responsibility forecasts.

[Mr William Bain]

Federal states such as Germany, Canada and the USA all have fiscal sharing; Quebec is a net beneficiary from fiscal transfers from the federal Government in Ottawa, and even in Spain there is not complete fiscal autonomy. So, there is not a major nation state on Earth that is governed in the way the Scottish nationalists have proposed to the Smith commission. If other parties must make compromises, the SNP must accept that it must, too. So I was somewhat perplexed by the position taken by the hon. Member for Moray (Angus Robertson) in his speech; he said he accepted the Smith commission process but would not commit to accepting any of its conclusions or outcomes. We should aspire to offer more to people in this debate and across this country than the politics of grievance offered by nationalists of any variety or by the United Kingdom Independence party.

The reason our current resource allocation arrangements have prevailed from the 1890s onwards is a good one: Scotland has one thirteenth of the UK population but one third of the land mass and more than 80% of the UK's coastline, it contains some of the most remote rural communities in the UK and it is more expensive to provide access to health and education there on the same basis as in more densely populated parts of the UK. So if we accept that we should have a common statehood—

Mr McCann: Would my hon. Friend not wish to put into that equation systems such as Highlands & Islands Airports Ltd, which provides lifeline services to communities in the highlands? Any attempt to run a privatised or commercial service to those islands simply would not work, which is why we need those additional funds in Scotland, in order to be able to fund lifeline services to those island communities, such as those represented by the hon. Member for Na h-Eileanan an Iar (Mr MacNeil).

Mr Bain: Absolutely; what my hon. Friend is saying, as I am arguing, is that if we want a common statehood, we must have the right allocation of resources. That means that we can have devolved management of the health, policing, universities and schools services, but we have the same rights, as citizens, to the most important elements of education, free health care, benefits, tax credits and a state pension. Any constitutional settlement for the future of the United Kingdom should not weaken the rights of citizens to those common standards, because to do so would weaken the case for the United Kingdom for future generations.

Similarly, differentiating the voting rights of Members of this House is an issue that could not be definitively resolved by minds as great as Gladstone, Disraeli and Lloyd George in respect of the Irish question in the past two centuries. It may even escape the Leader of the House, the right hon. Member for Richmond (Yorks) (Mr Hague), notwithstanding his grasp of history, and I suspect a neat solution may elude those Members seeking one this afternoon. In truth, few Bills and few motions before this House do not have effects on expenditure in Scotland or other interests. The recent Modern Slavery Bill started life as an England and Wales-only measure but now contains amendments applying to companies based in Scotland, too. Decisions on

taxation, even potentially partially devolved taxes, affect the deficit, public borrowing and, ultimately, interest rates. It would be irresponsible for Members from Scottish constituencies not have a say on such issues before this House.

Several hon. Members rose—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. May I just say that the time limit is going to have to be four minutes now, because of the interventions?

4.8 pm

Mr Iain McKenzie (Inverclyde) (Lab): I rise to welcome this debate—[*Interruption.*]

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. May I just help Members? I do not reduce the time limit deliberately—I do that because Members keep intervening. If Members want to get in, the only way I can accommodate that is by reducing the limit. So it is not use people tutting at me, as I am trying to help everybody who wants to enter into the debate.

Mr McKenzie: Thank you, Mr Deputy Speaker. I rise to welcome this debate on devolution and the Union, which comes so shortly after that momentous decision in September by the Scottish people, when they voted overwhelmingly to stay part of the United Kingdom and the Union. We should all accept and recognise that democratic decision and the will of the Scottish people. I spent many months on the campaign trail in my constituency, securing a no vote in Inverclyde, which I was glad to see. However, I was not prepared to rejoice in winning that no vote, because I saw the division that had been created in communities across Scotland, even in families, by the referendum. The Labour party has always led on devolution to Scotland and we engage with the Smith commission in a spirit of openness and partnership, and we hope other political parties will do likewise.

More powers for Scotland are guaranteed, regardless of what we hear from others. We guaranteed this during the referendum campaign, and we will also deliver more powers on the timetable we promised. We want the Smith commission to be led by the result of the referendum. The conclusion should reflect the fact that people want a strong Scottish Parliament inside a strong UK, with the continuation of pooling and sharing of resources across the UK.

I want devolution to be more than that, however—to continue and cascade downwards to local government. On the east coast we see the centralising, controlling SNP in power in Scotland, and therefore on the west coast we need that devolution to come our way. We do not wish to see powers simply put on the train from London to Edinburgh and remain there. We need those powers to be devolved to Scottish local government as well. We have seen that while the east coast is given huge amounts of infrastructure and support, the west coast has not been so fortunate. We feel very removed from Holyrood. We should be devolving more powers to local government, which knows the local communities and what they need, and which should not be overruled from Edinburgh on what it is trying to deliver.

In last year's autumn statement we saw many hundreds of millions of pounds coming to Scotland to reside in the coffers of the Scottish Government, but we have seen very little of that cascade down into local government, with my local authority in Inverclyde receiving a pittance of 0.1% of that funding to do anything to enhance communities. We needed, and wished for, our fair share to make a real difference. That is what we in Inverclyde see as the essence of devolution—to see that devolution end up on the doorstep, with people feeling that real power can be taken in their communities, and seeing once again, as we saw in the referendum, that when they cast their vote, it can make a real difference.

We have heard much from the SNP Government in Edinburgh about the fact that they would devolve powers, and it is strange that they attack the vow, yet they are unwilling to make a vow of their own—to list the powers they would cascade to local government and make a real difference. Instead everything they accuse this Parliament of, they replicate: they guard and keep the powers to themselves. We need devolution to come down the line to local government.

4.13 pm

Sheila Gilmore (Edinburgh East) (Lab): I particularly welcome the opportunity to speak today because in the previous devolution debate I sat through the entire debate yet I did not have an opportunity to contribute—so it is not necessarily the case that only certain MPs do not get to speak in these debates.

The situation with devolution is quite exciting at present, because for the first time it appears to be moving into the mainstream in a way that it has not done before. My hon. Friend the Member for Nottingham North (Mr Allen) is the Chair of the Political and Constitutional Reform Committee, and I served with him on that Committee for some considerable time. When discussing these issues and producing reports, it felt as if we were the anoraks of politics, talking about the bits that most people are not really interested in. If anything has changed to make people realise that devolution is important for all of us, that can only be a good thing. It is important that people in England start to talk about these issues in a very real way, and realise that there is a lot for them in seeing real devolution of power to local communities. If we get a better overall deal out of all this, that can only be good for everyone. But it has to come, as much as possible, from the bottom up, and it has to involve people who are outwith professional politics. That is why we suggest that having a proper constitutional convention is a big step forward. It happened in Scotland during the 1980s and 1990s, and people did engage on what they wanted out of devolution, which meant that we were then able to proceed very fast after 1997. The Labour Government delivered on their promises as one of their first priorities. We had a referendum, not after three years of grinding debate, but within three months of a general election. It happened in that time scale because of what had gone before. I urge many of my English colleagues to think about how they want to make this happen in a way that makes people feel committed to it.

My hon. Friend the Member for Inverclyde (Mr McKenzie) talked about the need to devolve even further. There are many things that we can talk about while the Smith commission is going on. It must be said

that the commission is happening exactly as promised and according to the timetable. Despite that, I received the first e-mail from a constituent alleging betrayal within 12 hours of the result being announced. I do not know how fast some people think that we can proceed.

The timetable is being adhered to, but that does not stop us talking about other things as well. One fascinating thing about Scottish politics is that we have further devolution powers coming to Scotland as part of the Scotland Act 2012, and I have heard very little debate, particularly from the SNP, about what it wants to do with those powers and what we can actually do to make people's lives better.

One thing I feel passionate about is housing. We need more affordable housing in Scotland. We will have more borrowing powers, so how are we planning to implement them, as they are coming very soon. That is what we should be debating in parallel with the constitutional matters. We should use those powers to do something about social care in Scotland. The position in Scotland is virtually no better than it is in England. I am talking about the type of care that people get, the short time scales and the poor working conditions of many of the carers. If we can use the additional tax-raising powers that we will be getting as a result of the 2012 Act, we should be planning for that now. That can be going on while further debate about the constitution goes on. That is what I want to see happening both north and south of the border. Let us get on with that, as that, I believe, is what the Scottish people want.

4.17 pm

Mark Durkan (Foyle) (SDLP): I find myself feeling a bit like the right hon. Member for Holborn and St Pancras (Frank Dobson) who was asked if he was in favour of women bishops. He said, "I'm all for women, but not for bishops." I am all for devolution, but I am not particularly for the Union. I say that as an Irish nationalist sitting here in this House.

However, we must recognise that some issues that have been debated here—there have been some fantastic contributions today—are not just for Scotland or within Scotland. The three GB party leaders rushed to Scotland, like three men in a boat, and all agreed that they all really meant the pledge that they made, but they now cannot agree what it meant. We are left with the question: how now Brown vow? We know that there is a timetable and that there will be clauses of a Bill, but the Bill will not go through until the next Parliament. This does not affect only the people of Scotland, because the Scottish referendum transfixed people well beyond Scotland. It seized the imagination and the interests of democrats everywhere.

Politics falls into disrepute if, as a result of this, we are left with a complete scramble and a mish mash. As we saw with the House of Lords reform, everyone says that they are all for the reform, but they are all able to table different versions of it, and then we have a penalty shoot-out in which nobody scores. That is probably what would have happened today if the Speaker had accepted all the amendments that were tabled. Everybody would have been able to blame everybody else, but the democratic public would have been left no wiser and a lot more frustrated. That is the situation that we need to avoid.

[Mark Durkan]

On the work that has to go forward from the Smith commission, a new charter for representative democracy is needed that makes clear the responsibilities, roles, rights and relationships between different Parliaments and whatever institutions in England receive the complementary devolved capacities, or downloadable power options, whether the metro cities, the councils or whatever. The citizen will want to know that those of us in elective politics are clear about the responsibilities, roles, rights, relationships and rules between those different tiers. They will also want to know that there will be a shared responsiveness to deal with new issues and problems whose shape, definition and implications will change in different sectors and elected chambers. I know this is a bit like “Sesame Street”, with today’s letter being R, but we must also deal with resources and revenue, whether they go through the Barnett formula or any other route that the people want to use.

As a former Finance Minister in Northern Ireland, I am conscious, when I hear people such as the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown) say that the Barnett formula is there to stay, that the Barnett formula means exactly what the Treasury decides. The Treasury decides what it counts into the formula and what counts out of it. I have the bruises from the arguments involved in trying to understand what was what. Basically, the answer was, “We’re the Treasury. We don’t need a reason and we certainly do not need to listen to yours.” The Barnett formula does not give such assurances.

As a member of the Political and Constitutional Reform Committee, I also hear the argument coming strongly from England about the capacities that people want to be devolved. In my own constituency, people would love to see city deal status even within our devolved settlement for the city of Derry. We need to look at this in a more fluid way and to get away from the politics and find the democracy.

4.21 pm

Mr Michael McCann (East Kilbride, Strathaven and Lesmahagow) (Lab): Like the hon. Member for Foyle (Mark Durkan), I enjoy injecting a bit of humour into debates in this place. We have much to celebrate about the constitutional decision made by the Scottish people, but I also remember the acrimony of the debate. I remember being abused every single day of the campaign by people who did not support my view. I know that families are divided and friendships have been broken and we must remember that that happens in constitutional debates. Frankly, the levels of intimidation were unprecedented and that is a high bar for me given that I was involved in the challenges with the Militant and Trotskyite tendencies in the 1980s—as a child, of course.

Despite the SNP’s yes campaign having every conceivable advantage, including the serendipity of two SNP supporters winning the Euromillions—you are so lucky, guys, I have to say—it was still defeated by the Scottish people who rejected the idea of separation because they believed in their vast numbers that a stable system of governance, including Barnett, enables us to absorb difficult economic times more easily than we would if we were component parts within a divided United Kingdom. I accept that Barnett was a formula set up for the short term, but we

must also recognise that it has led to long-term stability in the distribution of resources across the United Kingdom. That is where I would differ from the hon. Member for Esher and Walton (Mr Raab), who moved the motion. The suggestion that we tamper with individual items within the constitutional settlement is a bad one and it misunderstands the debate we have just come through in Scotland. The SNP should never be underestimated as opponents and we should never underestimate their ability to be deceitful and mendacious in any campaign that they run.

We can take that from the contribution made by the hon. Member for Na h-Eileanan an Iar (Mr MacNeil) just a few moments ago, when he spoke about the Republic of Ireland. During the referendum debate, he did not tell people in Scotland that it costs €150 to go to accident and emergency in the Republic of Ireland or that it costs €50 to go to see a GP. Wages were slashed by 20% in the Republic of Ireland during the economic crash and so were pensions. Colleagues of mine, such as the Transport Minister for the Labour party in the Republic of Ireland, Alan Kelly, have explained to me the pain that their country had to go through in those difficult economic times. Of course, there was no mention of that in any of the contributions made by the SNP during the constitutional campaign in Scotland.

I was also upset when the hon. Member for Esher and Walton suggested that Scotland is somehow subsidised. I agree with Scottish National party Members on that point—this is possibly the only time I will agree with them—because Scotland makes its contribution to the Union. The difference as regards the Barnett formula is that the income distribution across Scotland is even. Therefore, we do not have to suffer the peaks and troughs when, for example, the price of oil plummets, as it has done since the referendum debate. It was over \$100 a barrel then and now it is \$80 a barrel—something that the SNP did not want to put into any of the arithmetical calculations that they offered to the Scottish people.

I believe in the devolution of power. I believe in the vow that was made by the leaders of the three main parties. I believe in the United Kingdom and I believe in the arguments in favour of a United Kingdom that we set out to the Scottish people just two months ago. We need a full assessment of the constitutional settlement within the United Kingdom. We need a constitutional convention, and that is why I disagree with the authors and movers of the motion and why I will vote against it later this afternoon.

4.25 pm

Ms Diane Abbott (Hackney North and Stoke Newington) (Lab): I am pleased to be able to speak in this important debate on devolution and the Union and I congratulate the Backbench Business Committee on making it possible. I want to speak about the devolution of powers to our great cities in the Union. There is a growing consensus about the importance of growth, if nothing else, and about devolving powers to our great cities. There was last year’s London Finance Commission. There was the RSA City Growth Commission, chaired by Jim O’Neill. The Communities and Local Government Committee held an inquiry into fiscal devolution. The consensus is that our great cities need more local control over policies and funding for provisions such as transport, skills and housing, but that we must also look seriously at the devolution of taxes, starting with property tax.

I stress to Members that this is not about asking for more money. It is not about asking for a bigger slice of the national cake. It is not about the Barnett formula. It is about asking for cities to keep a little more of the money that they raise. This is an issue that does not have to wait for a constitutional convention. Sir Richard Leese, the leader of Manchester council has said:

“Cities should keep more of the money they raise locally so it can be spent on priorities set locally to create jobs and improve lives. The evidence shows that cities with more control over taxes do better economically”.

To show that this is not a party political point, I quote the Mayor of London, Boris Johnson. He has said:

“Now is the time to unleash a new era of civic leadership by giving larger cities greater control over how they spend a modest proportion of the money they raise. This is not asking for more money, instead it is a tried and tested formula applied successfully in other leading world cities.”

One tax that could be devolved is the mansion tax. I support the mansion tax. It is a redistributive tax, which I always think is an excellent thing. My right hon. Friend the shadow Chancellor is to be congratulated on his continuing listening ear and willingness to refine it. As always, my right hon. Friend the Member for Morley and Outwood (Ed Balls) is our flexible friend.

However, there are some cons to a mansion tax. In London, for instance, with a wildly distorted housing market and stratospheric house price rises, a Hackney teacher who bought their house 30 years ago, not to speculate and make money but to live in, could find that a house that cost them tens of thousands of pounds is now worth over £1 million. Those stratospheric house prices will make Londoners, even though their house will come in under the £2 million that we are talking about, nervous about a mansion tax. I believe that the answer is to hypothecate the tax to a housing authority for London and spend the money raised on affordable housing—not Boris Johnson’s ludicrous 80% of the market rate but genuinely affordable housing.

Some of the money could also be spent on giving mortgages to key public sector workers. I recollect that my very first mortgage was from Westminster council. It handed out mortgages because it thought that it made Tories out of people. It did not work with me, but it was still a good idea.

There are huge issues relating to Scotland and the Barnett formula and there are very specific issues that should be addressed now about giving new powers and control especially over new property taxes to our great cities, and I hope that the House will consider that carefully.

4.29 pm

Ms Angela Eagle (Wallasey) (Lab): I congratulate the hon. Member for Esher and Walton (Mr Raab) and those who sponsored his motion on their success in persuading the Backbench Business Committee that this was a suitable subject for debate. The extremely interesting, fascinating and lively debate we have had demonstrates that the Backbench Business Committee was probably right to choose it.

This is a topic of obvious relevance to all of us as we seek to adapt our unwritten constitution to meet the rapidly changing expectations of our constituents and yet ensure that the whole is coherent and greater than

the sum of its parts. We must seek to do that in an era when much political endeavour is seen through a prism of coruscating cynicism and where genuine and open debate is hard to sustain. To counter that, it seems obvious to me that we must begin by delivering on our promises, which is why Labour believes very strongly that it is imperative that we deliver, to the agreed timetable, on the vow that all leaders of the main parties made to the people of Scotland just prior to the referendum.

Our amendment, which was not selected, notes that “the commitment made by the Prime Minister, Deputy Prime Minister and Leader of the Opposition to the continuation of the Barnett allocation of resources and full representation for Scottish MPs in the UK Parliament”

is equally important and needs to be borne in mind. The Prime Minister told the Liaison Committee this morning that reform of the Barnett formula was “not on the horizon” and that

“if you took all the extra money that Scotland gets from the Barnett formula and distributed it amongst the 55 million people in England, it’s not a pot of gold”.

He made the obvious assertion that 55 million English people do not get quite so big a share of the Barnett formula deliveries as 6 million Scottish people get. In essence, if the Barnett formula is reformed, the hope that England will somehow be full of all the things it needs is probably not an accurate view.

I have never been a conservative by instinct or, indeed, by any kind of inclination. I have long believed that the way in which this country is governed can be improved, and I think it can be improved significantly. Labour believes that the current system of governance for all the nations and regions of this country is far too centralised and not nearly democratic enough. We believe that we need a much more fundamental shift of power away from London and Whitehall, and we have a radical plan for spreading power and prosperity across the great towns, cities, regions and nations.

The following Labour Members have contributed to the debate: my right hon. Friends the Members for Knowsley (Mr Howarth), for Nottingham North (Mr Allen), and for Birkenhead (Mr Field), and my hon. Friends the Members for Edinburgh North and Leith (Mark Lazarowicz), for Dudley North (Ian Austin), for Edinburgh South (Ian Murray), for Birmingham, Edgbaston (Ms Stuart), for Glasgow North East (Mr Bain), for Inverclyde (Mr McKenzie), for Edinburgh East (Sheila Gilmore) and, last but by no means least, for Hackney North and Stoke Newington (Ms Abbott). There has been a consistent drum beat in favour of having more and better sharing of powers from the centre to the cities, counties, regions and nations of this country. We need to enhance real democratic involvement, not watch it diminish through reduced involvement and cynicism.

When the Hansard Society’s annual audit of political involvement shows that only 7% of people strongly believe that if they got involved in politics they could make a difference, and when voter turnout has been in decline, it is obvious that we need to act to bring forward profound change if we are to strengthen, reinvigorate and renew our democracy. But that action must not be some kind of partisan Westminster cooked-up insider fix, which is why we in the Labour party have called for a constitutional convention to be established to review and make recommendations in relation to future governance arrangements for the whole of the United Kingdom.

[Ms Angela Eagle]

We want to reverse a century of centralisation by devolving tens of billions of pounds of funding to the regions and local government. We also believe that proposals should be brought forward to replace the House of Lords with an elected senate of the nations and regions. We believe that there should be a new Scotland Act, but we also believe in an English devolution Act. If we form the next Government, we will bring both those things forward.

The advent of the Scottish referendum and the dramatic campaign it produced is a tribute to the power of lively democratic debate to banish complacency and galvanise politics as a whole. Little wonder that it has promoted not just the commitment to a further devolution of power to Scotland, but, as many have pointed out, a wider debate about political power in the whole of the UK—who has it and how they use it. I want to address specifically the further powers to be given to Scotland and I want then to set out Labour's proposals for devolution for the rest of the UK. Finally, I want to talk about why it is important that we approach any conversation about constitutional change in a consensual and not a petty partisan way.

In September, the Scottish people, for the first time in their history, made the decision in a referendum to remain part of the United Kingdom, but they also voted for change, not the status quo. I spent some thought-provoking and exhausting days campaigning in Scotland to maintain the Union, and it was clear from the many people to whom I spoke that they simply were not satisfied with business as usual. The conversations I had emphasised the truth. For too long the Scottish people have felt disempowered and alienated from decisions taken in Westminster. But it struck me forcefully on those Scottish doorsteps that the alienation and the feeling of powerlessness would be mirrored on a great many English doorsteps too. I come across it wherever and whenever I knock on doors. The answer to it is a deeper, more meaningful democracy with more profound devolution across our nations. It is not the politics of separation, grievance and divisive nationalism.

Labour has led the way on devolution to the Scottish Parliament. We passed the Scotland Act 1998 and brought the Parliament into being, and I am glad that we are continuing to develop it now. The former Prime Minister, my right hon. Friend the Member for Kirkcaldy and Cowdenbeath (Mr Brown), has set out a timetable for further devolution to Scotland, which is well on track. The three main parties all signed up to the vow that we will deliver change for Scotland. This is not and never has been in doubt.

The vow makes four key promises—promises that it is imperative that we uphold. Extensive new powers will be granted to the Scottish Parliament. The people of Scotland will be central to any decisions moving forwards. All four nations should be resourced fairly, and we will continue the Barnett allocation for resources. I want to restate Labour's categorical assurance that in our first Queen's speech we will have a new Scotland Act. We look forward to the report from Lord Smith of Kelvin, which I understand is expected next Thursday.

The result of the Scottish referendum will change our Union for the better. The Opposition are completely clear that we will keep our vow, made to the Scottish people on the eve of referendum. It is also clear that we

now have a great opportunity to change the governance arrangements in the rest of the UK for the better, and it is that to which I now turn. It is right that we do not just consider further powers to Scotland in isolation from a wider crisis of trust that we are seeing in our politics across all four nations, and it was widely alluded to in many of today's speeches. There are a number of reasons for this breakdown. The age of deference is long gone, thank goodness, but it is not welcome that it has been replaced by the age of contempt. All institutions have been affected by this breakdown in trust: Parliament, the Church, the police, the press—I could go on. We need to address that.

Globalisation has increased the feeling of powerlessness, and the view that supranational forces are more influential than national Governments makes it hard to persuade potential voters of the possibility of change at national level. The commercialised retail model of politics as a brand choice, rather than a contest of values, encourages passive consumer behaviour, rather than empowering potential voters to become actively involved. The way politics is carried on in Westminster is becoming increasingly incomprehensible to an electorate who are alienated, rather than charmed, by our arcane and quaint procedures.

It is clear that we need a radical plan for reform and change. That is why Labour has built on our proud tradition of constitutional reform, and has announced a comprehensive programme for change. We will deliver a new English deal, which will devolve over £30 billion to city and county regions. We will ensure that the Welsh model of devolution is on an equal footing with the Scottish, and will hold an unprecedented and wide-reaching constitutional convention, in order to have a conversation with all parts of our country about the change that we need if we are to modernise the way that we are governed. We will introduce regional investment banks; devolve powers to encourage economic development in cities, counties and regions; and ensure that skills, transport and the Work programme can be planned and delivered locally.

Sir Gerald Howarth: Can the hon. Lady tell us how long she expects this modest endeavour to take?

Ms Eagle: Does the hon. Gentleman mean the constitutional convention?

Sir Gerald Howarth: Yes.

Ms Eagle: We are already doing some pre-work, before the election. We want this to happen very quickly after the election, and want to be ready to come forward with some views after proper conversations with people from across the entire country. We are looking at models such as the Scottish constitutional convention and the Irish constitutional convention, which happened after the crash. There are good models out there that we can use to bring about a process that would give a new settlement the legitimacy it deserves. *[Interruption.]*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. The shadow Deputy Leader of the House needs to stop enticing colleagues to speak. I want to hear the shadow Leader of the House.

Ms Eagle: Thank you, Mr Deputy Speaker. My hon. Friend the Member for Dunfermline and West Fife (Thomas Docherty) is naughty like that.

Mr Deputy Speaker: I will let you deal with him.

Ms Eagle: I will get on with that later, Mr Deputy Speaker.

Our amendment, had it been selected, would have brought about proposals that would meet the scale of the challenge and unite the country through conversation and consensus; that is exactly what we would seek to do.

When the Prime Minister appeared on his front step just hours after the result of the Scottish referendum was announced, his intention was not to bring our country together, but to try to find a new way to divide us with his partisan suggestion of English votes for English laws, which he appears to want to apply to Finance Bills. Instead of behaving like a Prime Minister, he behaved like a man concerned only with his own narrow party interest who was running scared of the UK Independence party.

The need for a distinct voice and identity for the English is something that I understand, but the issue is much wider than who votes on what, and in which way, in this House; today's debate has demonstrated that. Look at what this Government have done to make worse the problem of unfair access to resources. They have instigated huge cuts to local authorities in England, and they have hit the poorest areas hardest.

The effect of the Barnett formula distribution pales into insignificance compared with what has been happening in local government allocations. My local authority will have suffered a 57% cut to its 2009-10 budget by the end of this Parliament, which is a loss of over £700 per household. While the social safety net is torn away in the Wirral, Surrey Heath has received an increase of £25 per household. With their modest announcements on some cities, the Government have come very late to any thought of meaningful devolution of power to the English regions. Indeed, they have centralised power quite significantly, beginning with the complete dismantling of the regional development agencies.

Meanwhile, Labour Members have been proposing the biggest devolution of power ever to the English regions. After the McKay commission reported on the West Lothian question, the Government's own press release said:

"The Government is giving serious consideration to this report. Given the significance of the recommendations for both England and the UK as a whole, it is right to take the time required for a thorough and rigorous assessment."

That welcome and sensible approach was thrown over on the morning after the referendum. I hope that we can see it reasserted in the months ahead.

Labour has a proud record of constitutional reform achieved by trying to find cross-party consensus. We devolved power to cities as well as nations. We passed the Freedom of Information Act and the Human Rights Act. We began the process of Lords reforms, and I hope that we will be able to finish it by establishing a senate of the nations and regions. We understand that there is more to the debate than just English votes for English MPs; it is about how our democracy works and how we can rebuild trust in it.

I urge Members to vote against the motion because of its reference to a review of the Barnett formula, which would go against the promises that were given to the Scottish people before the referendum. There is an exciting possibility of progressive change ahead and the prospect of a radical improvement in the way the UK is governed, which would take power and accountability closer to the people and renew our democracy. I believe that we should seize it.

4.45 pm

The First Secretary of State and Leader of the House of Commons (Mr William Hague): It has indeed been an interesting, lively and, in the main, good-tempered debate, with one or two reminders from the hon. Member for Birmingham, Edgbaston (Ms Stuart) to other Members to be good tempered and well informed, which seemed to be successful. Many hon. Members, including the shadow Leader of the House, referred to the sense of alienation and powerlessness that many voters and observers of politics feel, and I think that is true. It is very important that we grasp that and respond to it. It will be important in the months ahead to have further detailed and substantial debates in the House about these matters.

I will try in the short time available to respond to as many of the points that have been made as I can, leaving a few moments for my hon. Friend the Member for Esher and Walton (Mr Raab) to respond to the debate, which I congratulate him on launching, with the support of the right hon. Member for Birkenhead (Mr Field).

I disagreed with much of what the hon. Member for Birmingham, Hall Green (Mr Godsiff) said, but he did call for a smaller House of Commons. I hope that the next time that comes up for debate, all parties will vote in favour of the proposals, as some of them failed to do so in the course of this Parliament. My hon. Friend the Member for St Albans (Mrs Main) said that a logical conclusion of what is happening in Scotland and Wales is that a democratic deficit in England has to be addressed. I think that is absolutely true, and I will move on to what should be done about it in a moment.

The right hon. Member for Knowsley (Mr Howarth) spoke convincingly and constructively about how cities and counties have sometimes underperformed and how they can take on greater responsibilities. Just before this debate I met many of the leaders of the core cities, including representatives from Liverpool, to discuss, building on what has now been agreed with the Manchester authorities, how we can imaginatively pursue greater decentralisation, with greater accountability among the cities, city regions and regions that include rural areas, because this is not just about metropolitan Britain.

I believe that there is an opportunity for an exciting cross-party agenda on that. We might differ from one party to another on the pace or detail, but the time has come for a general recognition in this country, and in all parts of the United Kingdom, including Scotland, Wales and Northern Ireland, that decentralisation towards local government is the way forward. That has not been pursued by the Scottish Government, and I hope that they will do so, just as we are doing in England.

My hon. Friend the Member for Argyll and Bute (Mr Reid) stressed the importance of honouring the timetable of commitments to Scotland. It is important to stress that the timetable is being honoured. The

[Mr William Hague]

Government published the Command Paper on further devolution to Scotland ahead of schedule, setting out the proposals from each party. Lord Smith of Kelvin is overseeing a cross-party process to produce an agreed set of proposals by the end of this month—in the next 10 days. Based on those proposals, the Government will publish draft clauses by 25 January so that the legislation is ready to be implemented after the next general election.

The hon. Member for Moray (Angus Robertson), who spoke for the SNP, remarked on the election of the First Minister; indeed, I congratulate her and wish her well. He said that change in Scotland should not be dependent on dealing with the West Lothian question. It is not dependent on that; it is an unconditional commitment by all three of the United Kingdom parties. I know that the SNP is almost longing for it not to be an unconditional commitment, but it is.

Pete Wishart *rose*—

Mr Hague: I will give way briefly but I must make progress.

Pete Wishart: Can the right hon. Gentleman clear this up once and for all? The hon. Member for Aldershot (Sir Gerald Howarth) said that the vow is not worth the paper it was written on because it was not agreed by Parliament. What is the right hon. Gentleman's message to his Back Benchers? Is it that the vow is something that is promised and guaranteed or that, as the hon. Member for Aldershot says, it is not worth the paper it is written on?

Sir Gerald Howarth *rose*—

Mr Hague: I will defend my hon. Friend, to save time. To be fair to him, he said that the SNP had called the vow a gimmick and now treat it as being of huge importance, which it is. [*Interruption.*] That was absolutely his argument.

The hon. Member for Moray said that he was speaking on behalf of 1.6 million people who voted yes. Actually, our duty in this House is to speak on behalf of, and consider the interests of, all 62 million people in the United Kingdom. When asked by Labour Members, he left some doubt as to whether the SNP will accept the outcome of the Smith commission. The rest of us made compromises on the basis that we will support the outcome of Smith.

My hon. Friend the Member for Cardiff North (Jonathan Evans), who has had to leave, made the powerful point that in 1997, when he and I opposed devolution in Wales and it was carried by a very small majority, we accepted the result of the referendum and did everything possible to make the Welsh Assembly work in the interests of the people of Wales and to support the success of devolution in Wales. Nationalists seem to have an asymmetrical view of democracy, whereby if there is a referendum that confirms their view, it is for ever, and if there is a referendum that differs with their view, it is only a temporary thing before going on to the next one. It is time for a symmetrical view of democracy as well as more symmetrical democracy within the United Kingdom.

That brings me to the point made by my hon. Friend the Member for Salisbury (John Glen), who said that he was against an English parliament. I agree with that, and I agree with those who have said—

Mr MacNeil *rose*—

Mr Hague: I will not give way again because I have only a few minutes before I must let my hon. Friend the Member for Esher and Walton speak.

I agree with those who have opposed a federal system for the United Kingdom, because the United Kingdom does not lend itself to a federal structure. Therefore, we have to find our own answer to what we have always called the West Lothian question. This debate goes wider than votes in this House, as the shadow Leader of the House said, but it does include votes in this House. That is something that we have to address, and in the coming months, we must make specific proposals to do so.

Various commissions have worked on the issue over recent years. There was the Norton commission that I established within the Conservative party. There was the democracy taskforce of my right hon. and learned Friend the Member for Rushcliffe (Mr Clarke). There was the McKay commission, which set out the important principle, to which the Prime Minister referred at the Liaison Committee this morning, that

“decisions at the United Kingdom level with a separate and distinct effect for England (or for England-and-Wales) should normally be taken only with the consent of a majority of MPs for constituencies in England (or England-and-Wales).”

Although there are many different ways of implementing that principle, it will be important to do so. Refusing to face up to that would be the true “insider fix”, because the great majority of the people of the United Kingdom expect some such principle to be implemented and adopted.

The hon. Member for Nottingham North (Mr Allen) said that it was time for England to come to the devolution party. I agree, although I think he was unkind to the Prime Minister in saying that there was a lack of urgency. There is a great sense of urgency in the Government in taking forward decentralisation to cities and other localities, and in addressing the West Lothian question as well.

My hon. Friend the Member for Aldershot proposed the idea of reducing the number of MPs from Scotland and Wales. I do not agree with that opinion. It is important to address the issue in other ways, and I do not think that they should be reduced below their proportionate representation in the House.

I will not have time to go through all the hon. Members who have spoken. The hon. Member for Dudley North (Ian Austin), who is not in his place, made the case for a Minister for the west midlands, largely on the basis that he would be the Minister for the west midlands. I think we have now moved past that idea to address the issue in new ways. The hon. Member for Newport West (Paul Flynn) made the case for the importance of languages. He can be assured that the Welsh language lives very strongly in the family I have married into, and I am extremely conscious of that.

If I may finish on the question of Wales, it is important for Wales to play its full part in the greater decentralisation and devolution. The Secretary of State for Wales has

made it clear that he wants to hear views from across the political spectrum in Wales on the best way forward. He has begun discussions with the leaders of the Welsh parties with a view to building consensus.

These issues now have to be addressed and resolved in a way that is fair to the whole of the United Kingdom. We are absolutely committed to the timetable for Scotland and we are committed to further powers for Wales and on the special needs of Northern Ireland, but we cannot ignore the needs and the rights of England. Being fair to all is now our mission.

4.56 pm

Mr Raab: It is a pleasure to follow the Leader of the House's rousing summation. I certainly agreed with all the gusto and spirit of his peroration. As we move forward, it is very important that the views expressed in this debate are adequately reflected in the proposals that all the parties make.

I again thank the Backbench Business Committee and all its members for allowing this debate to take place. It is very important that all voices and all parts of the United Kingdom are adequately reflected in such debates. Rightly or wrongly, there is a sense that parts of the Union may have been shut out of the debate, because we did not want to prejudice or interfere in the referendum campaign or to allow points made during it to be twisted or manipulated. Following the referendum, it is therefore important to broaden the debate and open it up to all parts of the United Kingdom—to England, as the Leader of the House said very powerfully, but also to Scotland, Wales, Northern Ireland and to all the constituent parts of the nations. I want briefly to refer to the many great speeches that hon. Members have made.

Mr David Hamilton (Midlothian) (Lab): I congratulate the hon. Gentleman on bringing forward this debate. The issue at stake is getting fairness right throughout the regions. It is not just about Scotland, Wales, Northern Ireland or, indeed, London, which, as everybody seems to forget, already has an assembly; at the end of the day, we are looking to get to a position where everything is seen to be transparent and fair for all parts of the country.

Mr Raab: I thank the hon. Gentleman for his intervention, and I agree with all his points. Indeed, they were reflected by the hon. Member for Birmingham, Hall Green (Mr Godsiff), who warned of the risk that other parts of the UK may feel discriminated against unless we proceed on the fundamental principle of democratic equality.

Sir Oliver Heald (North East Hertfordshire) (Con): Will my hon. Friend give way?

Mr Raab: I will make some progress.

My hon. Friend the Member for St Albans (Mrs Main) made a powerful speech on the logic of devolution and the fact that devolution cannot be just a one-way street. The right hon. Member for Knowsley (Mr Howarth) made a strong case for the application of local democracy to the Liverpool area. We heard from the hon. Member for Argyll and Bute (Mr Reid), who made it clear that the Liberal Democrat manifesto to move from the Barnett formula to a needs-based formula has been superseded—that is the nicest way of putting it—by the post-referendum negotiations.

The hon. Member for Moray (Angus Robertson), the SNP leader at Westminster, made a very interesting speech. When we look at the principles, I am not sure that we see a huge difference between what we have each said. I join him in congratulating the new leader of the SNP on her appointment. I pay tribute to Alex Salmond for his leadership. In fact, I will go so far as to quote Alex Salmond who, on the eve of the referendum rally said:

“To our friends in the rest of the United Kingdom, I say this. We don't seek division, but rather equality”

That is certainly the point of the sponsors of this motion.

My hon. Friend the Member for Salisbury (John Glen) made a typically cogent speech and talked about the importance of addressing the West Lothian question and financial fairness for his constituents, and also about the balance that we need to seek and retain across the UK—

5 pm

Motion lapsed (Standing Order No.9(3)).

Health Services (Halifax)

Motion made, and Question proposed, That this House do now adjourn.—(Gavin Barwell).

5 pm

Mrs Linda Riordan (Halifax) (Lab/Co-op): I am delighted to have secured this debate on health services in Halifax, and I will focus particularly on the proposal to close the accident and emergency department, which is the most important issue that has faced Halifax since the banking crisis of 2008. The axe hanging over Calderdale Royal hospital has been handled in the most underhand way. People have been left in the dark over the future of the services they need and value the most. That is simply not acceptable.

I hope that today's debate will shed some light on what is taking place. I also place on record the excellent health care staff that we have in Halifax, and the nurses, doctors, consultants, clinicians and everyone in the NHS wider health family who do a superb job in difficult circumstances. That is why, as Healthwatch Calderdale has found, although it is sometimes difficult for patients to get an appointment with their GP, the clinical treatment administered by GPs in the district is good and makes a positive contribution to residents' health in the area. It is, however, the future of A and E that has caused most worry and concern in the town, and the Government, the clinical commissioning group, and the trust's approach to the whole debate has been lacking in openness and transparency.

I will focus on three key areas in my speech: the funding of health services in Halifax; the so-called consultation and engagement process; and the future of A and E. Those factors tie the whole debate together and I hope that today, the Government can at least provide me and my constituents with some answers in those important areas.

Let me set out briefly the background to the case. Calderdale Royal hospital opened in 2000 thanks to investment from the then Labour Government. It was a new, modern hospital to serve communities across Halifax and Calderdale. There were concerns at the time that the new hospital might not have enough capacity—it did, although that is rather ironic when we consider the arguments and debates that are used to justify the closure of A and E in Halifax. Any problems back then have been overcome, and the hospital has proved a real success story.

The hospital serves communities across Calderdale, and right across to the Lancashire border to the west. It is estimated to have a catchment area of nearly 200,000 people—some as many as 30 miles away. We are talking not about a small, rural hospital, but a major health centre in the heart of an urban area. Why does that matter? It matters simply because it underlines the importance of the hospital services, including A and E, to thousands and thousands of my constituents. The hospital is at the heart of local health services and needs. That is a reason to invest in health services in Halifax, not to cut them; to keep wards open, not close them; to protect A and E, not put it on a life support machine, with its future clouded in doubt with Ministers and the clinical commissioning group playing for time to deal with the issue post the general election in 2015. Questions are dodged, not discussed. Information is wrapped in secrecy

and the people of Halifax and Calderdale are, it would appear, treated with contempt on this issue. This is their hospital. These are their health services. They deserve some answers.

That is the brief history. Where are things at today? Well, frankly, it is all a bit of a mess. At its heart are the inherent contradictions in the Government's approach to health policy across the country generally, and in Halifax specifically. Let us take a look at some of them. The Government say the funding of hospitals is not a problem. Why then is there a funding shortfall in Halifax of potentially £50 million? I noticed this week that Monitor is to investigate the trust to understand why its finances have deteriorated so much. This is an extraordinary amount of money by which to be in deficit.

We all know that the Government's desire to cut A and Es like the one in Halifax is to save money. It is nothing to do with improving patient care.

Craig Whittaker (Calder Valley) (Con): At a recent debate in the Calder Valley with my Labour opponent, I asked him eight times whether he had been out to see the doctors, nurses and decision makers about the strategic review. His answer was no, he had not been out to see them and he had not read the strategic review. He said, instead, that he was following the hon. Lady's lead and the lead of the candidates in Halifax. Will the hon. Lady tell me how many times she has been out to see the decision makers and whether she has read the review?

Mrs Riordan: I thank the hon. Gentleman for that intervention. Talking about confusion—that is what the whole debate is about today—let me remind him of his article in the *Halifax Courier* last week, in which he said:

“There are no proposals to close our A and E”.

Then we have the Conservative candidate's website for Halifax:

“On the frontline defending the A&E cut in Halifax”.

There is his answer.

I use the health service regularly: I am a patient and I visit my GP regularly. The Government say that funding for hospitals is not a problem and we all know it is a desire to cut the A and E. I know the Minister will get up in a moment and tell me that Halifax has not suffered health cutbacks in the past four years. Well I can tell him that I use Halifax hospital regularly. Recently, there have been staffing cuts, ward closures and fewer and fewer beds available on the wards. Sadly, I fear that Halifax is suffering cuts, cuts and more cuts. If there is not a funding problem, why are these reductions taking place? Is it a lack of demand for services?

If there is a funding problem, why do the Government claim to have protected health spending? Both cannot be correct. I say today that what Health Ministers are being told in Whitehall offices and what is happening on the ground in places like Halifax are miles apart. Ministers urgently need a reality check if they think that closing Halifax's A and E will not put lives at risk.

Craig Whittaker: On that point, will the hon. Lady give way?

Mrs Riordan: No. I am sorry, but I must make progress now.

I would be grateful if the Minister explained to me the reality of the funding situation in Halifax. What has the clinical commissioning group been required to do? What front-line services will be a cut as a result of this financial black hole? My constituents want some answers today—they do not want fobbing off until next May. This issue is too important to be kicked into the post-general election long grass.

The issue has never gone away in the town, despite the best efforts of the powers that be. Now, more than ever, is the time to set out why the A and E is important and needed in Halifax and Calderdale. I am not here today to discuss Huddersfield hospital or play the two off against each other. For the record, I want both to stay open, serving their communities as they have done for many years. Both cater for diverse and distant communities. To outlying communities, the local A and E is, quite literally, their lifeline, their reassuring presence should tragedy strike. In that sense, I have to say that the issue of engagement, consultation and information over Halifax A and E has been handled pretty woefully.

Craig Whittaker: Will the hon. Lady give way?

Mrs Riordan: No.

There has been buck passing, misinformation and a lack of honesty and clarity. Neither the CCG, the trust nor the Government have stood up and accepted responsibility for what has taken place. Just because things have gone a bit quiet, it does not mean that this is not the biggest issue in town.

It is difficult to know where to start. First, there is the closure by stealth that seems to be taking place. I have here articles from the *Halifax Courier* about people being driven regularly across to Huddersfield for treatment. I could talk about the staff cuts or the stealth cuts that could easily render the A and E a glorified walk-in centre. It is just not good enough, and people across Halifax are right to be angry and dismayed, especially when they read contradictory stories such as those I have read out. If the plan is to close the A and E, why do the decision makers not say so? Let us stop this nonsense that an A and E will stay in some form or another. That is rubbish.

Craig Whittaker: Will the hon. Lady give way?

Mrs Riordan: No.

If the existing 24-hour access with full A and E services is axed, it will not be an A and E. It is as simple as that. It is time to stop the spin and give us some substance.

Craig Whittaker: On the spin, will the hon. Lady give way?

Mrs Riordan: No.

The Government and the CCG know that they cannot do this. They know that there will be a public backlash; they have read the newspapers, seen the rallies, heard the debates and studied the letters. There is not one person in my constituency saying this is a good idea, or, if there is, I have yet to come across them. This is closure by stealth, by secrecy and by drawing out the whole sorry process over months. I and thousands of other people are not going to walk on by and let this happen.

The facts speak for themselves. This a hospital that only opened in 2000. It is A and E unit that treats thousands of people every year and a hospital that serves people within a 30-mile-plus radius. We are already reading about a winter crisis in A and E—there was a major one last weekend—and what is the Government's answer? To close them down. We cannot deal with one crisis by causing another. The way to deal with the A and E issue is to invest in the service, reassure people about its future and not put lives at risk.

I say not to the Minister but to the people making these decisions: do not take people for fools. If they strip away A and E services, stop 24-hour care, create an appointment system and move services to Huddersfield, we will not have an A and E service; we will have a glorified walk-in centre or an extended GP service. Will the Minister outline the case for closing Calderdale A and E? I have not heard one decent argument so far so I would be grateful if he put the Government's position on the record.

Craig Whittaker: Will the hon. Lady give way?

Mrs Riordan: No.

So what do I propose now? There is now a window of opportunity. The "Hands off our A and E" campaign has worked so far: we have delayed the closure, put the issue at the front of the debate and kept the issue at the top of the agenda. However, there is a lot more to do. The issue might have gone quiet, but it has not gone away. The so-called engagement process over the summer months was pathetic. A few afternoon meetings to hear people's opinions is not good enough. I expect better, and more importantly, my constituents expect better.

Three things need to happen. First, there needs to be proper engagement. What are the plans? What is the impact likely to be? So far, we have had none of these, which has left people in the dark. Secondly, there needs to be proper consultation. Not one-way but proper two-way consultation that actually listens to people and takes notice of their views, and this needs to be done properly, not in the half-baked way we have seen so far. Thirdly, there needs to be a full reassessment of the hospital services offered in Halifax. It is beginning to get treated as a branch hospital, not one at the heart of health services. I have said that I use that hospital regularly, which I do. I have had a few appointments recently, and I have been referred to Calderdale Royal, but when I get the appointment through the post, it is always at Huddersfield hospital. That is what patients are experiencing across Halifax.

People need to be told straight what is taking place. The lack of information over the last few weeks and months has been almost as bad as the decision to axe the A and E in the first place. Let us not pretend that an A and E will exist in some form or another post-2015. There either is an A and E or there is not. The time has come for the Government to come clean on their plans; they should set them out, so we can have a proper consultation and a proper debate. This time, however, the people of Halifax need listening to.

The time has come to say "enough is enough". The facts are clear that without an A and E in Halifax lives will be put at risk. These unnecessary cuts to front-line services will be a body blow to all ages and all sections of the local community. That is why people have been

[Mrs Riordan]

taking to the streets to protest at these proposals. That is why across the whole spectrum of community opinion, there has been a united voice of, “Save our A and E”.

I hope that the Minister can shed some light today on what exactly is going on. The people of my constituency, who need and deserve the best possible health services in Halifax expect nothing less. It is time to come clean and spell things out. In the run-up to the general election, people expect to know what is going to happen to their local A and E unit. I say today, loud and clear, that the fight to save the A & E goes on, and deserves to be a successful one.

5.16 pm

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (George Freeman): I congratulate the hon. Member for Halifax (Mrs Riordan) on securing this debate. I know that this is an issue of concern to her and to my hon. Friend the Member for Calder Valley (Craig Whittaker), as well as to a number of other Members locally. The issues around proposed changes to health services in Calderdale and Huddersfield have been debated in this House before.

Of course, the configuration of health services is an important issue for many Members and their constituents. We all agree that patients should receive the best and safest care possible. I know these issues are of keen interest locally, with Members from across the political parties taking a close interest in the changes. People always worry about any change in the NHS, because it is such a loved and respected institution. However, it is not right to play on these anxieties. Change is necessary to ensure that the NHS can offer modern, high-quality care fit for the 21st century.

It is slightly disappointing that the hon. Lady has adopted such a partisan approach. In the period running up to an election, NHS reform is not well served by party politics, and I note the hon. Lady’s refusal to accept interventions from my hon. Friend the Member for Calder Valley. I think we need to hear from people on both sides of the House. I have taken the trouble this week to talk to staff and doctors at the front line locally who are leading the work on this issue, to hear from them what they are planning and what they hope to achieve. I hope that hon. Members, including the hon. Lady, take the time to do the same; I know they would appreciate it.

Let me say a few words about our general approach to reconfiguration before touching on the specifics of the case. The Government are clear that the design of front-line health services, including A and E, must be a matter for the local NHS. It is local clinicians—not me or anyone in Whitehall—who will make decisions about health care in Halifax. That is how it should be. The NHS has a responsibility to ensure that people have access to the best and safest health care possible, and to plan for the future to ensure that safe and sustainable services are available to all patients now and in generations to come.

Reconfiguration is about modernising the delivery of care and facilities to improve patient outcomes, to develop services closer to home and, most importantly, to save lives and improve patient safety. That is why we must

allow the local NHS continually to challenge the status quo and look for the best way of serving patients. All these service changes are being led by clinicians and are based on a clear, robust clinical case for change that delivers better outcomes for patients.

The health economy across Calderdale and Huddersfield is working to develop a shared vision for the future provision of high-quality, sustainable services. This work is necessary to respond to the challenges facing the local health economy. As in many areas, the NHS in Calderdale and Huddersfield needs to adapt to an ageing population, increased prevalence of long-term and lifestyle-related illnesses, the needs and aspirations of patients and increased pressure on our public finances. The truth is that local services are currently fragmented, with some duplication and inconsistency of outcomes. There is a need to reduce preventable hospital admissions and enable and support people to live in their own homes for as long as possible. I welcome the fact that the local NHS is looking into how community and in-hospital services can be provided to deliver the best outcomes for local patients.

Craig Whittaker: The Minister will recall that the hon. Member for Halifax (Mrs Riordan) did not say whether she had read the strategic review of our area’s health authority, but if she had, she would have seen that it contains no proposals to close the Halifax A and E. Can the Minister confirm that?

George Freeman: My hon. Friend has made an excellent point. I think it important to be guided by what the local professionals—clinicians and NHS staff—are saying. I have spoken to them this week, and I can indeed confirm that there are no plans to close the A and E at present. A clinically led consultation is taking place, quite properly, and before the local NHS leadership recommends any decisions, they will be the subject of public consultation with local people.

Mrs Riordan: I can tell the hon. Member for Calder Valley (Craig Whittaker) that I have read the strategic review. Let me also make it clear that when the consultation began, the acute trust recommended the closure of the Halifax A and E.

George Freeman: As I have said, the local NHS leadership is looking at all the issues on behalf of the patients whom they are there to serve. My point is merely that playing party politics is not helpful. We need to be guided by the local clinical experts. It is important for the NHS to engage widely on the future provision of health services, and it has done that over the last three years. Thousands of local people have given their views on what matters most to them, and that feedback is shaping thinking locally.

Local clinical commissioning groups are focusing on the phased delivery of improvements in community services ahead of any changes in hospital services. Our health system is evolving to adapt to the new landscape of modern medicine, and I think it is in the interests of our patients to encourage that, provided that it is led by clinical decision making. Local commissioners recognise the need for change in hospital services, and I suspect that, as a user, the hon. Lady would recognise that as well. The local NHS believes that the way in which

services are currently organised in Halifax does not deliver the safest, most effective and most efficient support to meet patients' needs. Patients rightly expect that when they see the initials "NHS", they can expect the very best service that is available, and when they do not receive that service, it is incumbent on the system to adapt so that they do.

The trust is affected by shortages in middle-grade doctors and the high use of locums in A and E, which has an impact on the safety of patient care, and difficulties are involved in providing senior consultant cover overnight and seven days a week. Those are classic problems, which often affect smaller hospitals. We need to ensure that we are delivering the very best care to our patients.

There is often a need for inter-hospital transfers owing to the lack of co-location of first-class services on both sites. The co-location of emergency and acute medical and surgical expertise can result in significant improvements in survival and recovery outcomes, most notably for stroke and cardiac patients. Those who are most seriously ill, with life-threatening conditions, have a much greater chance of survival if they are treated by an experienced medical team that is available 24/7.

It is right for the local NHS to address those challenges to ensure that it can continue to deliver safe, sustainable, high-quality services. Heaven forbid that the hon. Lady should fall ill and require any of those services, but I am sure that, were that to happen, she would want to receive the very best care, and that if that were available in Huddersfield, she would want to be treated in the best possible place. To that end, Calderdale and Huddersfield NHS Foundation Trust has considered a number of options for the future delivery of services, one of which involves one hospital delivering planned care and the other delivering unplanned care. At this stage, no proposals have been ruled in or out. Preferences have been expressed in regard to how services can best be delivered, but no decisions have been made, and I can confirm that there are no formal proposals for changes in hospital services.

In August, the local CCGs decided to delay public consultation on hospital services. While they are signed up to the need for change, they have chosen first to focus on the delivery of improvements in community services in order to build confidence in the changes and demonstrate to local people the benefits they are confident they will deliver. That seems to me entirely appropriate. The CCGs are following a process of change. They understand the need to take people with them, and to build confidence in the changes that they propose. It is incumbent on all Members to encourage and support our NHS leadership locally in building that public confidence in the services.

Change can be difficult to explain to patients, particularly the most vulnerable and elderly patients whose focus is, rightly, on the immediate availability of care. Patients' reasonable anxieties are often exacerbated by speculation in the media about potential changes and their possible local impact. Services are sometimes described as closing when in fact they are simply being provided in a neighbouring facility or changing for the better in response to advances in treatment.

I know that local people care deeply about the future of their local health services and will want to be involved in decisions about the future of their local hospitals. This is, and should be, a locally led process. Local

people should continue to make their views known to those developing proposals for the future of local services, as they have done throughout the engagement process. I also want to encourage them to listen to the reasoning behind any proposals from local NHS clinicians and management for any service changes. I encourage the hon. Lady to work with the local NHS as it further develops its proposals. I know that the CCGs have met hon. Members and are happy to continue to do so.

When talking about potential changes to hospital services, it is important to remember that it is the services, the people and the co-ordination—not the bricks and mortar—that really matter in getting people the right care at the right time. The flexibility and co-ordination of services are just as important as how they are geographically configured. In supporting our local NHS we often end up supporting the current institution—the building in its present location and configuration—but we need to allow the service to evolve and allow our local clinicians and NHS leadership to develop the best possible provision for the people it is designed to serve.

The NHS is one of the great institutions in the world; it is one of this country's great legacies. Ensuring that it is sustainable and that it serves the best interests of patients sometimes means taking tough decisions. Freezing a service in aspic out of love for it will not allow the NHS to develop and maintain its leadership in the provision of 21st century health care. These decisions are made only when representatives of the local NHS, working in collaboration with local people and local authorities, are convinced that what they are proposing is absolutely in the best interests of their patients.

I make no apology for the fact that it is this Government who have taken these decisions out of the hands of the politicians and the mandarins in Whitehall and put them into the hands of local clinicians and local NHS managers who have the interests of local patients at heart and who are driving those decisions in their interests. It is important that the NHS in Calderdale and Huddersfield develops solutions that will allow it to provide high quality, safe, effective and sustainable services to local people for generations to come.

Craig Whittaker: I recall when the Labour Government took the acute services from Halifax and sent them to Kirklees in 2005. I campaigned strongly against that at the time, but I was wrong because it appears that we now have a greater life-saving institution locally. Can the Minister tell me whether there is any evidence around the country that having specialists in one place, rather than having them split between several sites, does in fact save lives?

George Freeman: My hon. Friend makes an important point. There is a huge amount of evidence—which the Department is keen to publish and disseminate in order to inform the debate—that in many areas, particularly in relation to respiratory and cardiac conditions and to diabetes, the centralisation of services in specialist centres drives up clinical outcomes, improves patient safety and prevents avoidable death. Patients have a right to expect us to put in place a framework that allows the NHS to evolve. We need to find ways of ensuring that those services that are best provided locally—community-based services—are provided in that way, and that those requiring

[George Freeman]

increased specialisation in centres of excellence and expertise that operate 24/7 are also available. That is what the local NHS leadership is endeavouring to do, and we should support them in that because it is in the interests of the patients, whose NHS this is.

Question put and agreed to.

5.29 pm

House adjourned.

Westminster Hall

Thursday 20 November 2014

[MR CLIVE BETTS *in the Chair*]

IPCC Fifth Assessment Report

[Relevant Documents: First Report from the Committee on Energy and Climate Change, Intergovernmental Panel on Climate Change Fifth Assessment Report: Review of Working Group I Contribution, Session 2014-15, HC 587, and the Government response, Session 2014-15, HC 732.]

Motion made, and Question proposed, That the sitting be now adjourned.—(Gavin Barwell.)

1.30 pm

Mr Tim Yeo (South Suffolk) (Con): Thank you very much for your advice about the proper way to dress for a debate in Westminster Hall, Mr Betts; I am particularly grateful to the second Clerk of my Committee for bringing along a spare tie for this occasion. I begin by drawing attention to my entry in the Register of Members' Financial Interests, and in particular to my interests in companies involved in hydrogen fuel sales and the nuclear industry.

May I warmly welcome the Minister to the debate? She and a few of my colleagues have managed to tear themselves away from the alternative attractions in Rochester and Strood this afternoon. However, I have no doubt that we will all be hot-footing it there at the conclusion of these proceedings—and, of course, looking forward to a great triumph for the excellent Conservative candidate there, who certainly deserves to be the next MP.

I am delighted that we have the chance to debate the Energy and Climate Change Committee's report on the Intergovernmental Panel on Climate Change fifth assessment report, which is an extremely important document. In my judgment, the world is potentially at a turning point in relation to policy on climate change; even in the last few weeks, we have seen a significant step up in the commitment of different countries to act in response to the threat that it presents.

The announcements from Beijing a few days ago by President Obama and President Xi are, in my view, of particular significance. The things that they said on behalf of their two countries would have been simply unthinkable as recently as three or four years ago. It is remarkable that we now have the two largest economies in the world committed to targets that they would not have dreamt of committing to until very recently indeed. I warmly welcome that.

People have been sceptical—largely, I think, because of ignorance—about the commitment of China in particular to moving to a much less carbon intensive economy. That is partly for domestic reasons, such as the hideous air and water quality problems that China suffers from and its vulnerability—far greater than the UK's, for example—to the consequences of climate change. However, the fact that it is committing to targets is wholly to be welcomed.

Graham Stringer (Blackley and Broughton) (Lab): I am sure that the hon. Gentleman, who chairs the Select Committee, knows and recognises that having a commitment to reduce intensity is really a commitment to improve efficiency; it does not mean that less carbon dioxide will be going into the atmosphere. Does he agree?

Mr Yeo: Of course, that distinction is absolutely accurate, but it is also the case that China has said that it will see a peak in its carbon emissions, and it is suggested that that will happen in 2030. My observation of China and of the culture there is that if a target of that sort is set publicly and becomes the official policy, it is done in the Chinese Government's absolutely certain knowledge that they will achieve that target and probably improve on it by several years. I would guess that we will reach a period within the next 15 years when China's emissions stop going up and start to come down.

As Sir David King, the former Government chief scientific adviser and now adviser to the Foreign Secretary, said, the announcement by the US and China makes the possibility of an international carbon emissions pact "very likely". I agree with that assessment, particularly when we see the progress—I will come back to this later—on emissions trading systems, investment in renewables and so on, and not just in China.

Last month, equally importantly in my view, the EU agreed a 40% target for cutting greenhouse gas emissions from 1990 levels for 2030. That was, of course, exactly the outcome that the British Government were working towards and they deserve great credit for securing that outcome. They have got the target for overall carbon emissions to be reduced without having that overlain with what in my view are less rational targets for specific progress on renewables. It leaves countries free to decide how they are going to decarbonise their economies. That was exactly the right approach, and it is the approach that the British Government had taken a lead in fighting for. As the Secretary of State for Energy and Climate Change said:

"This is a historic moment. Europe has sent a clear and firm message to the world that ambitious climate action is needed now."

The Prime Minister spoke at the UN climate summit in New York on 23 September and pointed out that the British Government are keeping their promise to be the greenest Government ever. I know that some critics say that that is not actually being achieved, but the truth is that the decision alone to confirm the fourth carbon budget from 2023 to 2027 was of great significance, and although there are lots of areas where we would like the UK to be going further and faster, that commitment alone—again, I will come back to carbon budgeting—strongly supports the claim to be the greenest Government ever.

The UK has more than doubled the capacity of the renewable energy industry in generating electricity in the last four years. That is a substantial achievement and a vindicator of the kind of incentives that have been put in place for investment in renewables. As we know, the UK has also played an important role internationally with its carbon finance commitments. However, we need the whole world to step up if we are going to deliver a deal that keeps the target of a maximum rise in average temperatures of 2° centigrade within reach. That is a big part of the agenda as we move

[Mr Yeo]

towards the Paris COP—the conference of the parties to the UN framework convention on climate change—at the end of next year. Above all, we need to make sure that policies are in place that give business the certainty that it needs to make investments in low-carbon technology. As the Prime Minister said,

“we need a framework built on green growth not green tape.”

We will need a good outcome from Paris next year, and a lot of work remains to be done to achieve that.

It is worth looking now at what the IPCC has done. It was set up in 1988 to provide assessments of the latest peer-reviewed climate science for policy makers. The fifth assessment report, which has come out in various stages for more than a year now, is the most recent output—in fact, the very most recent was the synthesis report published at the start of this month.

Overall, the fifth assessment report was the culmination of seven years of academic research—literally thousands of scientific papers and reports. There were three working group reports, and, of course, a lot of inter-Government negotiation as well. The most recent synthesis report concluded:

“Human influence on the climate system is clear”.

It also stated:

“Recent climate changes have had widespread impacts on human and natural systems.”

Mr Peter Lilley (Hitchin and Harpenden) (Con): How can my hon. Friend suggest that recent climate changes have anything to do with global warming if there has not been any global warming since 1997, as all the measures of surface temperature indicate?

Mr Yeo: Of course, with statistics, if we pick the year to suit our argument, we can produce all sorts of short-term pointers. Unfortunately, it remains true that the first decade of the 21st century—2000 to 2010—was the warmest recorded in modern times, so that does not seem to me to be convincing evidence of my right hon. Friend’s claim that the climate has stopped warming. In any event, I believe that it is still clear that there are impacts, as I have said, on human and natural systems that result from recent climate changes—when I say “recent” climate changes, I mean “in the last 100 years or so”.

Decarbonising electricity generation is a critical component of what we need to do if we are to mitigate the worst effects of climate change and, as the synthesis report points out, it is economically affordable. Effective implementation depends on policies and co-operation at all levels. That can be enhanced by the integrated responses that may come out of an agreement in Paris—responses that should link mitigation with adaptation and with other, broader objectives.

The Secretary of State said of the fifth assessment report:

“This is the most comprehensive and robust assessment ever produced. It sends a clear message: we must act on climate change now.”

That was also the view of our Committee.

We focused particularly on the contribution of working group I to the IPCC report. There were, of course, three working groups. One was on the physical science basis;

the second was on impacts, adaptation and vulnerability; and the third was on mitigation. The conclusion of working group I was that it was now more confident than ever that greenhouse gas released as a result of deforestation and from fossil fuels has caused much of the warming seen in the latter half of the 20th century and, if unabated, those greenhouse gases will continue to drive climate change in the future.

The IPCC was criticised for being political and lacking transparency, so my Committee looked particularly into the process and the robustness of the IPCC’s conclusions. Our conclusion was that the IPCC report provides the best summary of prevailing scientific opinion on climate change currently available to policy makers. It is the most exhaustive and heavily scrutinised report so far. We also consider that there is a high level of statistical confidence in the report and that the overall thrust and conclusions of the report are widely supported in the scientific community.

Of course, as in all areas of science that involve highly complex and dynamic systems, there are uncertainties, but those uncertainties do not cast into doubt the overwhelmingly clear picture of a climate system changing as a result of human activity.

Ian Lavery (Wansbeck) (Lab): With regard to the criticisms of the IPCC, Professor Lindzen, Nicholas Lewis and Drs Curry and Wyatt, among many others, attended the sittings of the ECC Committee or gave evidence. Would the hon. Gentleman care to explain why he thinks such people were so critical of the IPCC in expressing their thoughts on climate change?

Mr Yeo: One would have to look at what they have actually said and written about the IPCC. They can probably justify their views better than I can. I recognise that there remains a group of people—I think that it is relatively small—who do not accept particularly the pace at which the climate may be changing.

I am not sure that it is quite a crowd mentality, but there is a very large number of academics and scientists who broadly accept the thrust of what the IPCC has been saying. Whether some people feel that that produces a peer group pressure to conform, I do not know. I have puzzled a bit over some of the comments and responses that we received when carrying out this inquiry. As I said, we recognised that in all areas of science, there are some doubts—some uncertainties—but the overwhelming consensus is right.

In particular, the credibility of the conclusions derives from the evidence, just as I hope the work of my Committee is driven by the evidence that it receives. The IPCC received and reviewed thousands of academic papers, which had themselves been peer reviewed, and the conclusion was that there was a clear, unambiguous picture of a climate that is being dangerously destabilised. I thought that the report of working group I was very honest about the levels of certainty and uncertainty, and the “Summary for Policymakers”, which of course is of a readable length—it is a synthesis document—is published alongside the full document, which contains all the technical information on which the conclusions were based.

My Committee has recommended that in future a small team of non-climate scientists should observe the review process for IPCC reports. We also recommended

a review of UK modelling facilities. I do not know whether the Minister will be able to give us any information about, for example, what the new Met Office supercomputer may be able to do.

By way of conclusion, what does the report mean for UK and international policy? First, it clearly reaffirms the scientific basis of the Climate Change Act 2008. Secondly, it has put forward the notion of a global cumulative carbon budget—a maximum level of greenhouse gas emissions for the world to emit safely. We must stay within that level if we are to have a chance of staying within the 2° C average temperature rise that is thought to be safe. Those two conclusions in the report underline the great merit of the UK's carbon budgeting process. I believe that we can quite accurately claim to be leading the world in that and I think that other countries are getting interested in the way in which we are setting and implementing carbon budgets. That is absolutely in tune with the IPCC conclusions.

There is also now an overwhelming need for a carbon price. Whether that is derived from carbon taxation, emissions trading or a combination of the two does not necessarily matter. I personally hope that we can make cap-and-trade systems work, because I believe that market instruments are usually the best way to drive investment where it will be most cost-effectively deployed.

There is work to be done to improve the EU emissions trading scheme, but the inquiry in which my Committee is currently engaged, on linking emissions trading systems, has given us a much clearer understanding of the extraordinary progress being made in China. It is a bit easier to do things when one does not have to consult among 28 countries. The possibility—well, not the possibility, but the extreme likelihood—of a national emissions trading system in China being rolled out as soon as 2016 is astonishing, given that the first pilots are barely two years old.

We have also had this year the publication of the New Climate Economy report. Again, that is evidence based, and again it underlines the fact that climate change mitigation does not have to inhibit economic growth; the two can go hand in hand. We look forward to our evidence session next week with Nick Stern and Jeremy Oppenheim on that subject.

We feel that there needs to be a focus on cities, land use and energy. If we can maximise the use of existing low-carbon technology and find new ways to organise and innovate in those three areas, we can address climate change at the same time as continuing with sustainable development.

Finally, our report calls for, as I have said, the introduction of a strong and predictable carbon price. Anything that the Government can say to reassure us about that and their commitment to it will be helpful. I hope that the Minister can also touch on the prospects for the conference of the parties in Lima next month and look ahead to the Paris COP next year.

We are, as I said at the start, potentially at a turning point in climate policy, and the Paris COP will be a particularly important stepping stone. If we are to achieve the transition to a global low-carbon economy, a sustained commitment will be required from the Governments represented at Paris from 2015 onwards. If we are to succeed in tackling climate change, the world will have to achieve something that it has never managed

before: a consistent annual reduction in greenhouse gas emissions. Every year since the industrial revolution, we have had a consistent annual increase in greenhouse gas emissions.

I am confident that the science will continue to strengthen, and that the evidence of human activity leading to climate change will become stronger, not weaker. As a result, I expect that public concern, not only in this country but around the world, will intensify. The longer we leave the task of mitigation, the more expensive and disruptive it will be to accomplish. I hope, and indeed expect, that there will be a substantial carbon price in one form or another in the 2020s. The inevitable consequence of that will be that countries that have started to decarbonise their economies early will be more economically competitive, not less.

1.51 pm

Graham Stringer (Blackley and Broughton) (Lab): It is worth understanding what is meant when we talk about the scientific basis for climate change. Essentially, if the climate is changing, it is because the energy budget of this planet is altering. We are taking in more energy than we are radiating as a planet. There is no direct way of measuring that process, so we have to look at indirect measurement, which leads us into a number of difficulties. One only has to think about the ice ages to realise that the climate has always changed. There is natural variation, and if the planet is taking in more energy than it is radiating, that will inevitably lead to climate change that is not a natural variation.

As Professor Trewavas has said, there is not a scientist on the planet who can measure and distinguish between natural climate variation and anthropogenic climate variation, so we are in serious difficulty when we talk about the scientific basis of climate change. That has become an area of great controversy and enthusiasm from certain parties. I am—or at least I was—a scientist. As I have debated science in this place and elsewhere, I have come to the conclusion that science and politics are a bad mix, and that one tends to contaminate the other. Science is about the search for truth. Good scientists, if they are proved wrong, will shout, “Alleluia!” because they are pleased that the boundaries of knowledge have been pushed further. Politics is about winning the argument; it is about my side beating the other side.

Unfortunately, in the debate around climate change, some politicians and so-called non-governmental organisations have distorted the science and pushed arguments in a non-scientific way. A current example of that—it is not immediately to do with climate change although it could be—is the case of Professor Anne Glover, the former scientific adviser to the President of the European Commission. She has just failed to get her contract renewed because she took a view on genetically modified foods that Greenpeace and other groups did not like, and those groups lobbied to remove scientific advice from the Commission.

I think we will see that various activist groups have behaved in a similar way in the discussion about climate change. Because of that, I proposed a number of amendments to the Energy and Climate Change Committee report, which fell into three categories. The first was about the political nature of the report that the Intergovernmental Panel on Climate Change produced.

[Graham Stringer]

The second was about what passes for science, given the problem I talked about before of direct measurement of the planet's energy balance and climate change. The third was about the consequences for this country's energy policy.

Donna Laframboise provided a lot of written and oral evidence to the Committee about the political nature of the IPCC. In drawing up the final report, representatives of 100 Governments met in secret for a four-day session. They changed the report, reducing it by 700 words and increasing the number of pages. Astonishingly, given that the report was supposed to be based on science, they reverse-engineered it to make it consistent with a summary that was a series of political compromises, where words were put up on whiteboards and crossed out according to the agreement or lack of agreement between the representatives of the different countries.

That leads me to two conclusions. Why should an intergovernmental process that produces policies that may lead to trillions of pounds of expenditure around the globe take place in private? It should not. Why should a summary of a scientific subject be produced by Governments rather than by scientists? The IPCC claims that it is a scientific body, but it is not. It is an intergovernmental body that reaches compromises, just as politicians reach compromises. I would scrap the IPCC and move to a science-based body that published summaries of current climate science more frequently.

Ian Lavery: Is my hon. Friend suggesting that he has no confidence whatsoever in the IPCC's recommendations?

Graham Stringer: I would answer my hon. Friend in two ways. First, I would not detract from the basic scientific papers that lie underneath the report. Those papers are produced, by and large, by reputable scientists who are doing their best in a difficult area. Secondly, I ask him to consider the fact that the most significant, headline conclusion was that we should have more confidence in the IPCC's conclusions now than we did previously. However, its prediction about global temperature increasing over the past 13 or 14 years has been wrong; it did not predict a flattening of the temperature curve. It is strange to conclude, when it has got something so badly wrong, that we should have more confidence in its results, and I do not. To say that I had no confidence would be very strong if that was based on decent scientists doing decent work, but I argue that the process is seriously flawed. That is the IPCC.

Staying with the science for a moment, one of the amendments that I proposed to the Select Committee report was to say that we do not really have 97% consensus that we are heading towards catastrophic climate change. I base that, although there are other areas that we can look at, on Robin Guenier's evidence to the Committee. He carried out a survey of all the reports that consider the views of climate scientists, and he concluded:

"In summary, the inadequacy of useful evidence means that the extent to which the SPM reflects climate scientists' views is both unknown and likely to continue to be unknown."

That is because there has not been a decent survey.

"Therefore it's impossible to provide a reliable answer to the Committee's question."

That question was whether there was a consensus.

"However, such evidence as does exist indicates that the answer would probably be that AR5 reflects the range of views among climate scientists to only a very limited extent."

That partly answers my hon. Friend's question.

The regularly cited figure of 97% consensus comes from a report by Cook based on an old survey of about 12,000 pieces of scientific literature. Cook looked at the literature, and if a scientist stated that they believed carbon dioxide to be a greenhouse gas, he claimed the paper in support of the consensus that catastrophic global warming is happening, which is a non sequitur—it clearly is not the case. When we look at the other papers surveyed by Guenier, which I can list if necessary, there are various views from different scientists and groups of scientists. No survey can be absolutely categorical about the views of climate scientists, but when those views are assessed, they certainly do not come out anywhere near 97% consensus that catastrophic global warming or climate change is happening. We can put that to one side.

If we look at where we are left with the science, given the previous problems, we have to consider climate models, because we cannot directly measure the planet's energy balance. Some of the evidence given to the Committee seriously criticises the climate models. At the time of the report, the Committee did not have the views of Steven Koonin, an adviser to President Obama's Government who is a specialist in such computer programs. He goes through in great detail where the problems are in the computer models. He points out that the resolution of the computer models is 60 miles, and there can be many types of weather and weather changes in a grid 60 miles square. To work out what is happening, the models start with basic figures and then begin guessing, and it is no better than guessing because they have to work out the average cloud cover based on the humidity and changes in temperature over such large areas, which have huge variations. Basically, the situation can be fiddled within the grid. By and large, the temperature changes over the past 100 years or so vary in such models by factors of three. That does not prove that one of the models is right, because some 55 models are being used out there, but it does show that there is no consistent modelling.

Do the models allow us to predict or understand what is happening? They predict the reduction in the Arctic ice cover but not the increase in Antarctic ice, which probably outweighs the reduction in ice at the north pole. The models do not predict the completely even rise in sea levels over the past 100 years—the rise has consistently been about 1 foot a century for some time. The models predict that the surface temperature in the tropics should increase, but it has not. There are many serious problems with the models, and one has to realise that there are fiddle factors.

The Chairman and other members of the Committee are convinced that the models are the basis on which we should predicate the whole of our energy policy. Our energy policy is to put up the price of fuel for the people I represent, and they are some of the poorest people in this country. We are trying to hit emissions targets on carbon dioxide, and at the same time we are deindustrialising the country, so we are not putting less carbon dioxide

into the atmosphere; we are putting more carbon dioxide into the atmosphere. That policy—I do not want to overuse the word “catastrophe”—has perverse consequences. If people genuinely believe that carbon dioxide will lead to a global catastrophe, we should not be pursuing the policies that we are now pursuing. The drive for renewables, where there are indications that current research may lead to better renewables in future, is putting the security of our energy supply at risk. So the three key factors of the Government’s energy policy, based on many of the IPCC’s conclusions, are perverse.

I lost the votes on the amendments that I proposed to the Committee—I often lose votes, which I do not mind because that is the nature of politics—but I ask my hon. Friends and Government Members to address the points. There simply is not a 97% consensus. We are responsible for putting more carbon dioxide into the atmosphere, and there is a great deal that we do not know about what is happening in the atmosphere.

2.6 pm

Mr Peter Lilley (Hitchin and Harpenden) (Con): I apologise to you, Mr Betts, and to my hon. Friend the Member for South Suffolk (Mr Yeo) for arriving a few minutes late and missing some of his opening speech. It is a pleasure to follow the hon. Member for Blackley and Broughton (Graham Stringer), who made an important contribution to this debate, as he does to the Committee’s deliberations. The report, of course, was not unanimous. Both he and I voted against it. I think we were able to secure the inclusion of only one of his amendments, but that is not because either of us denies the basic science of the greenhouse effect. He can speak for himself, but we are both scientists by training, which is a characteristic that is not shared by most members of the Committee. We do not dispute the greenhouse effect, nor did any of our witnesses. However, great uncertainties remain about how much warming a given increase in greenhouse gases will cause, how much damage any temperature increase will cause and the best balance between adaptation and mitigation in response to, or in pre-emption of, global warming.

The main bulk of the IPCC technical report recognises those uncertainties, and the report is simply a useful compilation of research in the field. My criticisms are about the summary for policy makers, which is far less balanced than the report it purports to summarise. The hon. Gentleman explained the process by which the summary was produced, which may be why it is so less balanced. The summary is essentially a document of advocacy, and it achieves its objective of influencing policy makers, as its title indicates, by the selective use of facts and the omission of quite a lot of the stuff in the main report, including some of the most significant changes, which are simply not drawn to the attention of policy makers. I am not the first to criticise the IPCC process.

Ian Lavery: This is a general point. Would the right hon. Gentleman describe himself as a climate change sceptic?

Mr Lilley: Yes. I normally call myself a lukewarmist. I believe that the climate will warm a bit, which will probably be quite beneficial to parts of our country, although it could pose problems elsewhere. I do not deny that double the amount of CO₂ in the atmosphere

will increase the temperature by 1° and a bit, plus or minus any effect due to positive or negative feedbacks. However, I do not think that the evidence shows that the change will be very large. I will come to that.

It is not just climate sceptics and I who have been critical of the IPCC’s tendency to exaggerate. Following the discovery of inaccuracies, use of grey data and so on in AR4, the fourth assessment report, which forecast that all the glaciers in the Himalayas would melt in 35 years rather than 350 years, the InterAcademy Council—the council of all the main scientific academies in the world, including our Royal Society, the US scientific bodies and so on—carried out an investigation of how the IPCC worked. The IAC was critical, particularly of authors who

“reported high confidence in statements for which there is little evidence”.

It is not just fellow sceptics and I saying it; all the scientific academies of the world, which by and large have signed up under some political pressure to rather unscientific statements about global warming, have considered the IPCC report and concluded that some scientists, although not all, tend to report high confidence in statements for which there is little evidence. The IAC therefore recommends:

“Quantitative probabilities (as in the likelihood scale) should be used to describe the probability of well-defined outcomes only when there is sufficient evidence. Authors should indicate the basis for assigning a probability to an outcome or event (e.g., based on measurement, expert judgment, and/or model runs).”

No such basis for assigning enhanced probability was given when the most recent IPCC report came out. Its headline conclusion was that the evidence for human influence has grown since the fourth assessment report, and it went on to attach increased likelihood—categorised on the scale as “extremely likely”, rather than the previous “very likely”—to the possibility that human influence has been the dominant cause of the warming observed since the mid-20th century. That was the overall headline assessment to which the IPCC wanted policy makers to respond. However, it is hard to back up that conclusion from the substance of that report. Since the last report, we know what has happened.

Dr Alan Whitehead (Southampton, Test) (Lab): Will the right hon. Gentleman give way?

Mr Lilley: I will make this point, and then I will give way.

Since the last report, the earth’s surface temperature has not warmed further; indeed, it has not warmed during the entire period of the IPCC’s existence, since 1997 or 1998. There has been a hiatus in warming, yet during that period since 1997, one third of all the carbon dioxide ever emitted by mankind has been pumped into the atmosphere. We have had 17 years to test the effect of a third of all the CO₂ we have ever emitted, and there has been no increase in temperature. That does not mean that the global warming thesis is dead or wrong—I believe in it—but it does mean that it is not the dominant factor. It means that during that period, other factors were masking any warming due to the increase in CO₂.

Dr Whitehead: I would like to get something clear. Is the right hon. Gentleman suggesting that the issue relates to the difference between “extremely likely” in

[Dr Whitehead]

the fifth assessment report and “very likely” in the fourth assessment report? That is, does he stand by the idea that anthropogenic global warming is very likely, although he might not stand by the idea that it is extremely likely, or is he saying that it was not very likely in the first place?

Mr Lilley: I am saying that in its use of those terms, the summary for policy makers has not responded to the recommendations of the InterAcademy Council report.

Dr Whitehead: But does the right hon. Gentleman stand by “very likely”?

Mr Lilley: I never made that statement. I think that it is uncertain how much of the heating that has occurred since 1950 is due to CO₂. Some of it is; perhaps half of it. I do not know.

It is the word “dominant” of which I am most critical, and the idea that human influence is the dominant factor. During that period, the whole lifetime of the IPCC, there has been no warming, yet a third of the CO₂ ever emitted by man has been put into the atmosphere. That does not seem to be evidence for being more certain; it seems to be evidence for being a little more qualified in stating that CO₂ may be the dominant factor. It clearly was not dominant during that period. By definition, a period with record emissions but no warming cannot provide further evidence that emissions are the dominant cause of warming.

A number of other, quite important factors have simply been omitted from the summary for policy makers. Although the IPCC says that there is increased certainty, it does not tell us, except obliquely in a footnote, that for the first time, the authors of the IPCC report are unable to agree on a best estimate of how sensitive the climate is to increases in CO₂. In previous reports, they have always been able to agree a best estimate, but this time, there has been so much disagreement among them that they have been unable to reach one. When I was a Secretary of State being advised by experts, if there was disagreement among them, I wanted to know about it; I did not want it hidden from me. If the disagreement was new and had not been present in their previous advice, I doubly wanted to know about it. However, that was not mentioned in the summary for policy makers, which is not a good way to ensure that policy makers are well-informed.

Nor does the summary mention that in the body of the report, the IPCC’s medium-term forecast for temperature increases to 2035 is below that given by the climate models. In other words, the experts used their judgment to say that in their opinion, the climate models are wrong. They came up with a forecast below the models, and they explain that the reason is that the models have been overheating. Their forecasts have not conformed to the facts. I would have liked to have that pointed out to me in the summary for policy makers, but it was not. I would also have liked some explanation why, after 2035, the IPCC assumes that the models will be right and will no longer overheat. If they have overheated in the past and are expected to overheat until 2035, why are they expected to be right thereafter?

The overheating is serious, and it is not just during the period of the hiatus. Over the past 35 years, the models studied by the IPCC have collectively run an average of 15% too high. They are significantly in error. That, too, is something that I would have liked pointed out in the summary for policy makers, so that one would know, when talking about model estimates, that they have been consistently and significantly wrong for 35 years. But that was not pointed out.

According to one of our witnesses, the most significant fact in the whole AR5 was the new evidence about the impact of aerosols. We now have evidence from satellite observations that provides more certain estimates of the prevalence of aerosols in the atmosphere and their impact and suggests that they produce less cooling than was previously assumed. However, there was not time to use that information to rerun the model—sometimes the models take months to run—so none of the models take into account the latest information on aerosols. Had they done so, they would have produced an even higher forecast for future warming, because the future warming forecast involves the warming created by CO₂ less the cooling created by aerosols. If there is less cooling by aerosols, the forecasts would be higher—that is, more wrong—in the past, and probably even more wrong in future.

Indeed, given that we know what the actual amount of warming has been, if that warming—0.8° C since the industrial revolution—is the result of carbon dioxide, the model suggests that if it had been down to CO₂ alone, the warming would have been something like 1.2%. However, because of the old estimates of aerosols, an offset of 0.4% is assumed, which is why we observe the 0.8° C figure. We know the 0.8 figure is true. If we now have better estimates, so that instead of 0.4% the offset is 0.2%, that means that the CO₂ effect should have been forecast as being 1° C rather than 1.2° C or 1.4° C. That is a significant change—new evidence—that should have been brought to the attention of policy makers but was not.

Nor was the fact that most recent empirically based studies of the sensitivity of the climate to CO₂ have come out with lower figures. Indeed, since the report came out, a study of all the estimates of the sensitivity of climate over time has been made—in the form of a chart—and it shows that the estimates are progressively coming down. In other words, the likely feedbacks must be less and less, as estimates become more accurate and indeed the period with no warming extends. Again, I would have liked to know that in the SPM, rather than it being hidden away in a 1,000-page report, which by definition the policy makers are not expected to read.

We know that there has been a pause in global warming since 1997. My hon. Friend the Member for South Suffolk says that is somehow a statistical fabrication. If I want to know how long this table is, having climbed up the steps to get to it, when I get to the level bit, I measure that to see how long the table is; I do not include the rise before and I do not exclude some of the flat bit. The length of a plateau is the length of a plateau, and it is 17 years. That is quite simple.

If over that 17 years, the effect of CO₂ has been offset by other natural factors—I am not denying the effect of CO₂; I am saying it must have been offset by other factors. [Interruption.] Presumably, the hon. Member for Southampton, Test agrees with me; if he would like to intervene to disagree, he is welcome to.

Dr Whitehead indicated dissent.

Mr Lilley: No. He agrees with me.

Dr Whitehead: I merely pointed out—unfortunately, from a sedentary position—that it is a little dangerous to start talking about plateaux in the context of what has been probably several hundred years of anthropogenic effects. Indeed, at any particular stage, it would have been possible during that period to select particular years to make particular points. However, that is not the greater point that needs to be taken into account; that is about looking at the overall effects over a period. The right hon. Gentleman persists in talking about plateaux when, in overall terms, that is what happens on occasions in a much longer period, and it can be easily demonstrated over the period.

Mr Lilley: I entirely agree with the hon. Gentleman. There are periods when temperature has been rising and periods when it has been falling, for example from about 1945 to the early 1970s. Then there was a period of about 25 years when it was rising and everyone said, “That 25 years is very good evidence.” They did not say, “25 years is far too short a period.” They said, “Oh, that’s it. That’s going to go on.” The Met Office gave us forecasts for a single decade of how much things were going to change; it was confident that this was a continually rising trend.

However, there is a period when it has been flat. But if the underlying greenhouse effect has been rising, that means that natural factors are of the same magnitude, and those natural factors—over the long term—will cancel out other factors. Therefore, the upswing in natural factors may have been contributing to the warming in the 25 years of warming, and that should have been brought to the attention of policy makers but was not.

The hon. Gentleman says that I go on about flat periods. However, far worse than the SPM is the press release issued by the IPCC itself, which says:

“Warming in the climate system is unequivocal and since 1950 many changes have been observed throughout the climate system that are unprecedented over decades to millennia.”

It goes on to say that the period of

“the last three decades has been successively warmer at the Earth’s surface.”

So it is talking about warming.

The fact is that the warming since 1950 has not been unprecedented; it is almost exactly the same, over exactly the same period, as the warming that occurred from the end of the first world war up to the second world war. How can we explain the fact that there was a similar amount of warming when there was very little emission of CO₂ to a period with an identical amount of warming when there was a lot of CO₂? It must mean that other factors are relevant, and those other factors are of the same order of magnitude in their impact on the climate as CO₂.

All I am saying is that these things should be drawn to the attention of policy makers. Policy makers should not be treated as children; they should not be fed a line; they should not be given a document that purports to be a scientific document, but is actually an act of advocacy, achieving its end by selective use of facts and omission of a lot of the evidence that the experts who produced it took a great deal of time and a thousand pages

to assemble. Sadly, that is why the report from our Committee sounded more like cheerleading than holding to account a body that must be held to the highest standards, and not excused if it happens to agree with our own opinions.

2.25 pm

Dr Alan Whitehead (Southampton, Test) (Lab): Mr Betts, I also have to apologise to you for my late arrival this afternoon, and in particular for my inability to hear the contribution to the debate of the Chair of our Select Committee. Nevertheless I predict, although not with absolute certainty, with a fairly high level of certainty that I will probably agree with him in what I say.

I was detained in coming to this important debate by a discussion I was having on Japanese knotweed; to be precise, it was a discussion on Radio 2. On arriving here, I was thinking that perhaps Japanese knotweed is not such an awful metaphor for our debate today, inasmuch as it is here, there is a considerable amount of disagreement about its effect and there is a lot of scientific activity going on at the moment to try to clarify and qualify that effect, including studies to see what insects predate on Japanese knotweed. And there is some uncertainty about whether the effects of insects on Japanese knotweed are real, and about whether “urgent” action needs to be taken, or just “reasonably urgent” action, or “not very much action at all”. So there is quite a lot of debate about Japanese knotweed.

However, what we do know, with a reasonably high degree of certainty, is that Japanese knotweed is very invasive; it uproots our houses and properties, and needs to be dealt with. Indeed, if a surveyor came along to me if I was attempting to deal with my house repairs and said, “It’s very likely that Japanese knotweed is undermining the foundations of your house,” I probably would not say, “I’m not going to do anything about this, because I want to wait until I know that it’s extremely likely that it is undermining the foundations of my house. So I will just let the stuff get on with it until I am absolutely certain, on scientific grounds, that it is extremely likely that my house will be done over.” Instead, I would probably say, “Well, ‘very likely’ is pretty much good enough for me. I’m going to do something about this, and get my house sorted out.”

That in particular was why I intervened on the right hon. Member for Hitchin and Harpenden (Mr Lilley) during his contribution, which was about the difference between the fourth assessment report and the fifth assessment report on the degree of likelihood. While it is true that there has been a change between those two reports in what the guide for policy makers is indicating in terms of just how great a degree of emergency we face as far as the effects of anthropogenic global warming are concerned, the assessment has indeed moved from “very likely” to “extremely likely”. As I have underlined, even if someone did not really think that “extremely likely” was absolutely the starting point for taking any further action, they might be rather alarmed by what has happened previously.

What I then worry about is those people who look at the IPCC’s fifth assessment report, just as the Select Committee has done, and who start to raise concerns about it in the way that we have heard today. It is not that those concerns are illegitimate or necessarily entirely

[Dr Alan Whitehead]

out of court, in terms of discussion. However, after that we have to say, “What might some of those concerns amount to, depending on how they are depicted, as important or otherwise, to what is—as IPCC’s fifth assessment report is—a transition of a series of scientific documents, discussions and conclusions, into a document that has some relevance as far as policy makers are concerned?” Indeed, that is precisely the equivalent of a discussion on the science of Japanese knotweed and the surveyor’s report.

Graham Stringer: Does my hon. Friend agree that it would be better if scientists summarised the science, not politicians?

Dr Whitehead: It is better that a report produced for policy purposes is a synthesis of what scientists and others are saying and concluding. Indeed, that is exactly what our report concluded.

Beyond that, we then come not to the question of what concerns there might be about some of the detail of the fifth assessment report and its policy summary, but to one important element of scientific method. I should say that I am a social scientist, not a scientist, but I certainly would always have regard to scientific method in my researches and thoughts on a matter, and would be pretty much guided by scientific method and principles of probability and various other things such as those. The important element is that there are always outliers in any scientific discussion. How could it be otherwise? That is what science is about. Science is never unanimous. Indeed, the whole of scientific method is to take something that looks unanimous and test it to destruction and see whether a new consensus emerges from that—and that in turn is tested. There are always outliers and always people who are testing science, and always people who will disagree with a conclusion.

In terms of what science does in informing policy makers, the question is how to best get to the best science that there is, currently, to inform something that will not have 100% certainty behind it but which is, as I have described in terms of what people do about their house, an imperative that they may have to act on, without 100% certainty, but with a high degree of probability behind their actions. That is essentially what the IPCC fifth assessment report is about.

Mr Lilley: I intervene to offer the hon. Gentleman some advice on surveyors. If a surveyor is asked to do a report, the probability is that he will find some damp, some rot and something to do, because that is his job; he is a professional alarmist. I have a surveyor coming in a week’s time and I am paying him a fee just for the survey, so that he has not got an incentive to create work. In a sense, the IPCC is a bit like that. It is in the job of producing things that show that CO₂ is an alarming proposition.

Dr Whitehead: The right hon. Gentleman is exactly right, but I think that perhaps he slightly misunderstood the process that follows that. If people get a surveyor in, it is quite possible that they will find some things wrong with their house. The probability, in terms of that surveyor’s professional background, is that even if the

surveyor finds a few things wrong with their house that they do not think are particularly wrong, he is probably right. The question is to what extent they take action following what the surveyor says. The right hon. Gentleman appears to suggest—I would not put words into his mouth—that people can safely say, “This surveyor is just after his own interests in surveying my house, so I can confidently put this in the bin and purchase the house down the road that the surveyor told me is a complete turkey, safe in the knowledge that he is trying to make money. Therefore I can completely disregard what he said. And then, when my house falls down, I will be sorry about it, but I am safe in the knowledge that I wasn’t taken in by that beastly surveyor, who was trying to make some money.” I am not sure that the argument really follows in its fullness. I want to concentrate on that for a few moments in respect of the IPCC report.

One concern about picking small holes in a report and bringing outliers on board in emphasising the size of those holes is that, eventually, people might say, “Perhaps those holes need to be looked at”—indeed, the Committee in its report identified a number of areas in the procedures of the fifth assessment report and the summary following it that did need looking at and action for the future—and they fairly soon elide into talking about conspiracy theories and asking, why would people have falsified data and put things into this report? Or why would scientists from across the world have congregated together to overthrow their own scientific method and start putting bogus material into reports and trying to smuggle such material into summary reports, to falsify those and affect the gravity of action that may be required for policy makers?

The problem that then arises of people moving away from citing holes and difficulties to saying that the whole thing is therefore a bunch of falsified bunkum. I have to say that hon. Members contributing to this debate in a contrary position from that of the fifth assessment report and the Committee’s conclusions seem to be sailing rather close to the wind on that. As soon as people get into the area of conspiracy theories, that is the complete overthrow of science. Conspiracy theories and science are mutually self-destructive.

We have to accept, surely, that this IPCC fifth assessment report was carried out by honest scientists from around the world, who honestly put forward what they did because they had found it to be so in their view, and that the collocation of those various views—a difficult process in its own right—was also undertaken by honest people coming to particular conclusions. Unless we think otherwise, we will eventually be in the position of saying, as I have mentioned, not necessarily that it is extremely likely that anthropogenic action on the climate is the cause of global warming, but that it could be “Very likely”, “Maybe”, “Extremely likely”, “Maybe not”, “A bit between the two”, or “Very likely that it is very likely”, and then we are in no man’s land. At that point, people may start saying, “If they are all fabricating these things and the evidence really is a tissue of misrepresentation and lies, then we have no guide at all for policy in future,” which is, after all, what we ought to be discussing in this Chamber.

Mr Lilley: Normally, the hon. Gentleman is good, in that he follows the logic of my questions through, sometimes to points that I did not want him to reach, but here he is putting words into my mouth that are the

exact opposite of what I said. I did not say anyone had falsified anything; I simply said they had excluded material that was in the main report from the summary for policy makers. I hope he will clarify that. I was not accusing anyone of inventing falsehoods.

Dr Whitehead: The right hon. Gentleman is right. He will recall that I said that it sounded to me a little bit like that was the direction in which some of the contributions might be moving. I do not personally accuse the right hon. Gentleman of taking that position. However, a number of other people—not he—have taken and do take that position and it seems to me that they are, as a result, hopelessly adrift in terms of what we might or might not do.

Graham Stringer: I hope that my hon. Friend does not mean me. I hope I made it quite clear that, as far as I am concerned, the scientific papers are produced—unless evidence shows they are not—by scientists of integrity. Where the problem lies is that representatives of Governments take a large amount of that science and reach political compromises, which is bad for the production of a document. That should be done by scientists, because they would produce a different document. Because they represent the view of their Government, Government representatives stop information from those scientific papers getting into the report. That is not a conspiracy; that is political process.

Dr Whitehead: My hon. Friend sets out a process that seems remarkably similar to every single bit of policy work that ever takes place anywhere in the world on pretty much anything. There is a scientific process and if scientists wish to inform policy makers who are involved in that process, those policy makers will be involved in a process that is less than perfect in relation to what the science says. It is a combination of what is possible, what the policy is that is informed by the scientific process and, most importantly, whether the policy makers should wait for the science to be absolutely perfect before they do anything. My hon. Friend is coming close to saying that unless the science is perfect and scientists can have a sign-off on absolutely everything that goes on to the desk of the last policy maker, we should do nothing.

Ian Lavery: I am probably the only person here who is not a scientist. Politicians who, like me, are not scientists rely on evidence from scientists on both sides of the argument, because we, as politicians, make decisions based on what the scientists tell us. Where does that leave me?

Dr Whitehead: My hon. Friend is in exactly the position that I have just described. He is a policy maker who has to be advised by the best science. Given the full and informed contributions that he has always made to our Select Committee considerations, he is the complete embodiment of that process. Policy makers have to combine how they see the landscape with what the science is advising about the landscape and make judgments about what should be done in relation to those two facts in their role as policy makers. That is not and should not be a surprise to anybody. There is a real link between what the science is telling us and what we as policy makers have to do about it.

Graham Stringer: My hon. Friend is being generous with his time. The British Government do not follow the same process as the IPCC when it comes to scientific advice. The Government have a scientific adviser who gives independent advice to the Cabinet and the Prime Minister. Each Department has a scientific adviser and specialist committees. They do not wait until there is certainty; they produce the best available science at the time and Ministers take decisions on that advice. If the IPCC followed that process, I would be a much happier person, but it does not do that. It introduces politicians into the scientific process. That is where it goes wrong, and that is not describing a conspiracy.

Dr Whitehead: My hon. Friend describes the sort of process at an international level that to some extent goes on in Her Majesty's Government. The document that he refers to, which was referred to by the right hon. Member for Hitchin and Harpenden, is headed, guide for policy makers. It does not purport to be the scientific document. The scientific documents, as we have agreed, are elsewhere.

Mr Lilley: It is a “Summary for Policymakers”.

Dr Whitehead: It is a summary and a guide for policy makers. If the right hon. Gentleman looks at the document, he will see that that is exactly what it says in those documents. That is how it was announced and how it was reported to the United Nations. Indeed, it is how the United Nations Secretary-General described it. It was specifically set out on the back of the various documents and the detailed material that it was a further document over and above that work, forming a bridge between the scientific material and the guide for policy makers, and that is exactly how it should be seen.

As far as I am concerned as a policy maker, the fact that the IPCC report concluded that the anthropogenic effect on global warming is either “very likely” or “extremely likely” impels me to act, for all the reasons I have described. The Select Committee report was attempting to ascertain the overall veracity of what the IPCC's fifth assessment report was about, how it translated into policy, possible difficulties and what needs to be done next. That is essentially what our report talks about, and that is good enough for me.

We need to take decisions on how we deal with the decarbonisation of our energy and on limiting as radically as possible the emissions that will add to anthropogenic global warming. Those are the direct policy implications that this House needs to look at closely, and we will unpack that further to say, “We may have disagreements about exactly how we limit the decarbonisation of our energy supply and the many different ways of doing it, but we will have a separate policy makers debate”—as my hon. Friend the Member for Wansbeck (Ian Lavery) has alluded to—“on the best method of doing that.” Unless we have an overarching guide where we are clear about what we are doing, most of the rest of that conversation will not make a great deal of sense.

The best endeavours of pretty much all the scientists involved in this area around the world are to get to grips with finding out what is happening, why it is happening and what we should do about it, and we in this Chamber should commend that work and not seek to draw false conclusions from it or pick holes in it that are of no

[Dr Whitehead]

relevance to the overall policy making thrust. I commend what our report says to Government. I hope that they will be able to take on board what is said and ensure that they use it to guide their policy formation, whatever vicissitudes there may be about exactly how we will get there.

2.47 pm

Julie Elliott (Sunderland Central) (Lab): As ever, it is a pleasure to serve under your chairmanship, Mr Betts. I congratulate the Energy and Climate Change Committee and its Chair, the hon. Member for South Suffolk (Mr Yeo), on the important work it does in this area and especially on the report we are debating. I have to say, not as a scientist—I am a social scientist—that I found this one of the most interesting and contentious debates I have witnessed in this place. The last debate I responded to in this Chamber from this Committee was on how the media report this subject and the clarity with which they report it. With the references to Japanese knotweed, surveyors, facts, not facts and plateaux, I would love to see how they report this debate, but I suspect that they will probably not bother.

I will refer to some of the comments that the Chair of the Select Committee made, which I totally agree with. Positive things are going on and the world is at a turning point. The announcements in Beijing in the past few weeks were encouraging and showed that the USA and China are looking at this issue more seriously. Things have moved forward. As he said, an international carbon emissions pact is much more likely than at any previous point. The whole world needs to step up towards Paris next year, and we need to do everything we can in this place to get ready for that.

I start by looking at where the report concludes. We can be more confident than ever that human activity is the driving force behind the warming of our planet, and that the dominant cause is greenhouse gases. For me, there is therefore no scientific basis for downgrading, diluting or delaying the UK's ambition to reduce our greenhouse gas emissions.

I welcome the clarity of the report's conclusions. It is right that IPCC reports are placed under strict scrutiny, as they are at the core of the UK and global response to the threat of climate change. It was, of course, the conclusions of previous IPCC reports that underpinned the previous Labour Government's Climate Change Act 2008, a world-leading piece of legislation with targets of 80% emissions reductions to be achieved through interim carbon budgets. The carbon budgets are crucial, and it would have been deeply damaging had this Government not fully implemented the fourth carbon budget, as was threatened just a few months ago. I welcome the fact that the Government have now assured us on that.

Given the fundamental underpinning of the IPCC reports for the UK, it is important that they be analysed in terms of UK energy policy. My right hon. Friend the Member for Doncaster North (Edward Miliband) has rightly stated that climate change is the greatest global threat facing our generation, requiring leadership and resolve. Indeed, the Energy and Climate Change Committee's report quotes the Prime Minister as saying that

“manmade climate change is one of the most serious threats that this country and this world face”.

Yet the lofty rhetoric is not always matched by the actions of Government and certain Secretaries of State. As a rich country and a significant emitter of carbon, the UK can show global leadership abroad only if we take bold action at home. The UK has a vital role to play in international negotiations on climate change, but we cannot and will not be taken seriously as global leaders if we are not seen to be taking action at home.

Labour has committed to setting a 2030 power sector decarbonisation target, which is crucial for stimulating the investment in clean energy that will boost capacity and drive down costs. Yet this Government have refused to set such a target, which is frankly incompatible with what the report sets out. Furthermore, when the UK Government threaten a moratorium for onshore wind or when the Minister states that solar farms are not particularly welcome, it damages not just our clean energy economy, but our credibility abroad.

The IPCC report shows just how important it is that we rebuild the low-carbon consensus. Having listened to the debate, I think that seems an interesting prospect. Just five MPs voted against the Climate Change Act in 2008 yet debates on climate and clean energy can often be hijacked by those who do not view climate change as a threat. The science has not changed. Indeed, the Committee's report demonstrates the rigorous, evidence-based work that has gone into the IPPC report.

My hon. Friend the Member for Blackley and Broughton (Graham Stringer) said that politicians change, alter and manoeuvre how the science is reported. Politicians interpret and they do so as policy makers, not scientists. One scientist will never totally agree with another, just as one politician will never totally agree with another. The issue is about interpretation and there is a value judgment on the evidence that is presented, which will always be the case. The science has not changed. The IPCC has provided overwhelming and compelling scientific evidence that climate change is real, that it is caused by human activity and that it will have disastrous consequences if urgent action is not taken to cut our carbon emissions and invest in mitigation.

I am grateful to the Energy and Climate Change Committee for its work in evaluating the IPCC report and setting out recommendations, and I urge the Government to ignore pressure from their Back Benches and to ensure that the UK is best placed to help secure a legally binding agreement in Paris next year.

[MR CHARLES WALKER *in the Chair*]

2.54 pm

The Parliamentary Under-Secretary of State for Energy and Climate Change (Amber Rudd): I congratulate my hon. Friend the Member for South Suffolk (Mr Yeo) on securing this debate and thank the Select Committee on Energy and Climate Change for its report on the Intergovernmental Panel on Climate Change's working group I report on the fiscal science basis of climate change. The Government welcome the Committee's finding that it provides the best summary and guide of the prevailing scientific opinion on climate change currently available to policy makers.

Mr Lilley: Where does the Minister get the word “guide” from? It is not in the title of the document.

Dr Whitehead: It was announced as that.

Amber Rudd: Whether in the title of the document or not, it is taken as a guide.

Mr Lilley: It was taken as such by the hon. Member for Southampton, Test (Dr Whitehead), but the Minister should not believe every word he says.

Amber Rudd: This interesting debate has considered the roles of scientists and politicians. Like the hon. Member for Sunderland Central (Julie Elliott), I am not a scientist, but I agree with the hon. Member for Southampton, Test (Dr Whitehead) that that does not—I hope—preclude us from making the right policy judgments as we go forward.

The IPCC's fifth assessment report provides an unparalleled assessment of the latest climate science. There is no comparable process in terms of scope, rigour, transparency or level of Government engagement. The IPCC does not generate new climate science; it assesses peer-reviewed scientific work from thousands of practising expert scientists from around the world. The working group I report was produced by 809 authors, who assessed more than 9,000 scientific papers. The UK is fortunate to have world-leading expertise in many areas of climate science, and I am proud to say that some 100 of the authors were from the UK. The draft report underwent two rounds of review, overseen by a team of 50 review editors, whose role is described in the IPCC's procedures.

It is true, as my right hon. Friend the Member for Hitchin and Harpenden (Mr Lilley) pointed out, that the IPCC for the first time moved away from providing a best estimate as it was felt that it was misleading to have a single figure for an uncertain quantity. The IPCC scientists' increased confidence in their findings is based on the conclusions of the large amount of wide-ranging literature published since the fourth assessment report. As a result, we can be assured that the latest IPCC assessment represents a true consensus of climate science expert opinion from around the world.

The hon. Member for Blackley and Broughton (Graham Stringer) spoke of his concerns about the IPCC. I reassure him that the four-day synthesis meeting to which he referred was not held in secret and that the Government consider IPCC plenary meetings to be sufficiently transparent already through the presence of a number of observer organisations and detailed daily reports. There are 62 non-governmental organisations that are approved observers, as well as several inter-governmental and UN observer organisations.

The Government have considered the Committee's findings and, as we set out in our official response, seek to take forward a number of recommendations. The Government also strongly support the Committee's recommendations, which is why we published our vision for the new global deal to be agreed in Paris next year. Our Paris 2015 vision document highlights the strong business and NGO support for securing a global climate change agreement. My hon. Friend the Member for South Suffolk highlights the importance of reaching an agreement at Paris 2015 and I share his dedication and increased optimism, to which the hon. Member for Sunderland Central also referred, following the recent European deal and the good signs from China in the recently announced US-China deal.

Following the IPCC's report—this guide or summary—there is no doubt that we need to take action. I share the view of the hon. Member for Southampton, Test about Japanese knotweed that action is best taken early before the house collapses. He also wisely cautioned against conspiracy theories, which are sometimes prevalent in this area. In the UK, we are taking action, focusing on the long term and using the carbon budgets to ensure that we deliver on our commitments.

As I conclude, may I point out that it was 25 years ago that a scientist and politician, Margaret Thatcher, who appreciated the need, became the first leader of any major nation to call for a global treaty on climate change? There can be no doubting this Government's commitment. In September, the UN Secretary-General engaged world leaders at a climate summit in New York, where the UK was represented by the Prime Minister, the Secretary of State for Energy and Climate Change the right hon. Member for Kingston and Surbiton (Mr Davey), and me. We are leading from the front and we will hopefully be present next year at Paris 2015 to secure the international agreement that the vast majority of us want and that scientists support.

Mr Charles Walker (in the Chair): Mr Yeo, would you like to say a few words in response, before moving seamlessly into the next debate?

2.59 pm

Mr Yeo: Thank you, Mr Walker, and welcome to the Chair. It will be a pleasure to serve under your chairmanship. I particularly wish to draw attention to the fact that I am correctly dressed.

To reflect on this helpful and revealing debate, I should say that I am sorry that we have not attracted the interest of anyone who is not, as it were, under duress to attend for one reason or another. Nevertheless, I dare say that a few dedicated outsiders will read our proceedings.

May I mention to my right hon. Friend the Member for Hitchin and Harpenden (Mr Lilley) that the IPCC was established in 1988, not in 1997 as he suggested? I find the notion of a giant conspiracy fascinating and in some ways rather hilarious. The idea that thousands of scientists and politicians are somehow colluding is difficult to regard as credible.

I think that my right hon. Friend bases his view on omissions from the "Summary for Policymakers" of some of the contents of the full report. It is, however, a strange form of conspiracy if a few policy makers get together and say, "Okay, we're going to publish thousands of pages of documents, papers and the conclusions of an endless amount of work around the world in their entirety, so anyone can look at them. But then we're going to get together and, because we don't want all this work to be actually read, understood or communicated outside, we're going to publish a summary that does not reflect accurately what is in the main document." In my experience, that is not how most conspirators proceed.

Mr Lilley: May I make it absolutely clear that my hon. Friend has invented the idea of a conspiracy? Neither the hon. Member for Blackley and Broughton (Graham Stringer) nor I have mentioned any conspiracy. All we have said is that the summary is a work of

[Mr Lilley]

advocacy and, in common with most such works, it leaves out factors and bits of evidence that do not reinforce the case that it wants to get over. That is all.

Mr Yeo: I am grateful to my right hon. Friend for his reassurance that he is not alleging that any conspiracy has taken place. I am sure that those people who mistakenly thought that that was what he said will now stand duly abashed.

I believe that the IPCC process is an extraordinarily open one. It could hardly go to greater lengths to ensure that every bit of evidence is available for public scrutiny and that every conclusion has been examined, re-examined and peer reviewed almost endlessly. For the avoidance of doubt, I should say that my conclusions about the IPCC process—and, I believe, my Committee's conclusions about the fifth assessment report—are based on our careful consideration of the actual report in its entirety. We have not relied for any of our conclusions on a mere scrutiny of the "Summary for Policymakers". That is all I need to say about that debate, so I will move seamlessly on to our second debate.

Carbon Capture and Storage

[*Relevant Documents: Ninth Report from the Committee on Energy and Climate Change, Session 2013-14, HC 742, and the Government response, HC 638.*]

3.3 pm

Mr Tim Yeo (South Suffolk) (Con): Once again, I draw attention to my entry in the Register of Members' Financial Interests and in particular I declare my interests in a company developing a hydrogen fuel cell and in the nuclear industry.

As we mentioned earlier, the fifth assessment report of the Intergovernmental Panel on Climate Change introduced the concept of a global carbon budget, a total maximum level of greenhouse gas emissions that can be emitted safely consistent with a 2° average rise in temperatures. The report stated that the maximum carbon that can be released into the atmosphere compatible with the 2° target is 1,000 gigatonnes.

We have already emitted half that budget. Between the start of the industrial revolution and 2011, 515 gigatonnes of carbon were emitted into the atmosphere, which is a little more than half the carbon budget. We have, however, an enormous amount of fossil fuel still available to burn. According to the International Energy Agency, the total potential emissions from the remaining fossil fuel reserves in 2012 amounted to 780 gigatonnes of carbon which, added to the 515 gigatonnes that we have already emitted, take us well in excess of the budget identified in the IPCC report. In effect, more carbon dioxide is locked up in the fossil fuels that we have not yet consumed than can safely be emitted in order to stay within the global carbon budget.

The International Energy Agency has therefore argued that without a significant deployment of carbon capture and storage, a substantial proportion of the fossil fuel reserves that are proven to be available cannot be commercialised if the temperature rise is to be limited to 2°. According to my arithmetic, less than two thirds of the available reserves may safely be consumed.

All that would change if we had an economically viable form of carbon capture and storage. CCS could allow continued fossil fuel use while staying within the carbon budget. In 2005 the IPCC estimated, for example, a technical potential of at least 545 gigatonnes of carbon storage capacity in various geological formations around the world. Using that potential would transform the prospects of the fossil fuel industries.

Carbon capture and storage not only would allow us to consume more fossil fuels, but has the potential to reduce the overall cost of decarbonisation. In 2009, International Energy Agency analysis suggested that, without CCS, the overall cost of reducing emissions to 2005 levels by 2050 would be 70% higher. Unfortunately, however, the high energy and financial costs involved in CCS at the moment make the process uneconomic. That is why we need to look at whether any policy interventions might be able to overcome the problem.

The carbon capture and storage cost reduction taskforce's final 2013 report estimated that the first set of CCS projects in the UK could have costs in the range of £150 to £200 per megawatt-hour, which is roughly three times as expensive as using fossil fuels without CCS. That is actually considerably more expensive even than some of

the more expensive low-carbon technologies now being supported with money from the levy control framework. Those CCS prices are significantly higher than the strike prices even for offshore wind and nuclear.

The challenge therefore is to find a way of getting the cost of CCS down to levels that make it economically viable. Unfortunately, at the moment, momentum on CCS around the world is pretty slow—in my view, much too slow to offer a realistic prospect of a rapid cost reduction in the near term. Some of the other solutions to climate change have seen a transformation in their costs, such as in the case of solar power. Costs have been driven down to an extraordinary and largely unforeseen extent by the huge scale-up of the solar industry and by the cost reductions achieved by manufacturers in China.

The Global CCS Institute's 2014 progress report stated, however, that in the whole world at present only 22 projects were in operation or under construction. The next few years are therefore critical if the development of CCS is to be accelerated sufficiently for it to become a significant part of the solution to the challenge of climate change.

Graham Stringer (Blackley and Broughton) (Lab): I think there is more consensus on this report than the previous one. Does the Chairman of the Select Committee share my optimism about the combination of power production and carbon capture in such novel production facilities as NET Power's in Sheffield, from which the Committee heard evidence?

Mr Yeo: I am hopeful rather than optimistic, but I certainly do not underestimate the potential for either that or innovation in other areas. We underestimate at our peril the potential impact of technological innovation in a number of ways. Certainly, one of the reasons why I am not despondent about our ability to decarbonise our economies without constraining economic growth is because I am confident that technology advances will continue to surprise us all. The hon. Member for Blackley and Broughton (Graham Stringer) said that we might have more consensus in this debate than the previous one. That is not setting a demanding threshold, but I hope that we achieve that.

The CCS technology road map produced by the International Energy Agency in 2013 highlighted seven key actions needed in the next seven years to create a solid foundation for starting to deploy CCS by 2020. That is a demanding—and perhaps slightly optimistic—target, but at least we are seeing a few more positive signs of progress. Indeed, the Committee has seen a couple of those signs in its work.

On the Committee's visit to Canada last year—I did not take part and therefore I do not know as much about it as some other members of the Committee—it saw the flagship CCS initiative in Saskatchewan that started operating last month. More recently, on the Committee's visit to Guangdong province in China, we saw the work carried out on what is referred to there as carbon capture, utilisation and storage in which there is significant UK engagement.

In the UK, we have a particular interest in developing CCS for several reasons. First, obviously it is potentially a key technology that will help decarbonise our power generation and industrial sectors, which are, and are likely to continue to be, significantly reliant on fossil

fuels—perhaps in the future that will be more on gas than coal, but it will still be fossil fuels. Secondly, potentially enormous wider economic benefits will flow from the development of economically viable CCS.

The export potential is enormous. Indeed, one of the reasons why I am a little pessimistic about rapid progress on CCS is because the financial opportunities open to any organisation that creates economically viable carbon capture and storage technology are such that it will have the most massive market. When one looks around the world at the amount of coal that exists and could be burnt in China, India, Australia, America and even Europe, one can see that the rewards for developing that will be breathtaking. Given that many businesses in the energy industry have research budgets that run into not millions, but billions of pounds, I am concerned that none of them seems willing to risk much of that money on trying to develop CCS on their own: they all have their begging bowls out and are saying, "This has got to be paid for by the taxpayer" to some—or even a large—extent. Nevertheless, let us not underestimate the potential rewards to be had. If the UK is a leader in developing economically viable CCS, we will get a particular benefit from it.

Thirdly, we should focus on CCS in the UK because we have a significant geological advantage in that, close to our shores, we have the potential for enhanced oil recovery, which greatly improves the economics. Therefore, in our research we should focus particularly on that potential advantage. Other parts of the world, including China, also have that advantage, but if we could show that enhanced oil recovery makes the economics of CCS more viable—if it is brought down close to the price of solar—we should focus on that.

There are, however, barriers to making progress that need to be overcome. The first is the absence of a carbon price. If we had a significant carbon price, that would transform the prospects for CCS. As I said in the previous debate, I am confident that, by the end of the 2020s, we will have a significant carbon price, but that is still 10 or possibly 15 years away and it would be better if we could get on with developing CCS in the meantime. Secondly, it would help if we had a clearer global agreement to tackle climate change. As my hon. Friend the Minister said, and I agree, there is at least a possibility of that emerging from Paris next year. Without that, it will be a struggle and a great deal more Government effort will be needed to develop CCS, especially if we are doing it largely on our own.

Progress in the past 10 years or so has been patchy, to put it no more strongly. The competitions unveiled in 2007 were expected to deliver an operating CCS project by this year, but initially they did not manage to support any projects at all. We had something resembling a lost decade. In 2012, an NAO report on this matter criticised the Government's handling of the competition, and a second competition, which was announced in that year, is now looking to fund two projects that we hope will be operational between 2016 and 2020.

Despite that slightly faltering start, I am pleased with the recent attempts to move a bit faster. The Government's response to my Committee's report stated:

"The Government is committed to facilitating the development and deployment of cost-effective CCS by the 2020s."

I am reassured. I would have been disappointed if they had said any less than that, but that is at least an earnest of good intentions. The publication in August of "Next

[Mr Yeo]

steps in CCS: Policy Scoping Document”, which set out the Government’s plans to support the industry, is also helpful.

Looking ahead, there is a clear possibility that the UK will be overtaken by other countries and thereby we might relinquish some advantage that we once had. That would not necessarily be a complete disaster: any country or company that develops CCS will rapidly want to share its technology—though no doubt at some sort of cost—with other potential users.

I welcome and support the Government’s efforts in a number of respects, but I conclude by reiterating some of the key aspects of the Committee’s report. It would be desirable to have contracts for difference available for first-of-a-kind CCS projects. It would be useful to support projects beyond those for which there have been competitions. We would like longer term clarity about the funding framework that may be available in the 2020s. It would be helpful if the tax regime incentivised enhanced oil recovery. I believe there are issues about building public confidence in relation to storing carbon dioxide, on which some people express concerns that seem to me somewhat irrational. Any update that the Minister can give us on any of those matters would be useful.

I have sometimes been publicly sceptical about the potential role of CCS. I do not want to be negative about it; I very much want it to succeed. It seems to me to be the one technology that the world most urgently needs if we are to overcome the problem of greenhouse gas emissions. However, I do not believe that progress has yet been sufficient to enable Governments—here or anywhere—to base their energy and climate change policy on the assumption that an economically viable form of carbon capture and storage will be available in the near future, or, possibly, even the next decade.

Mr Charles Walker (in the Chair): I call Mr Whitehead—Dr Whitehead, I am sorry. Dr Alan Whitehead.

3.20 pm

Dr Alan Whitehead (Southampton, Test) (Lab): I will happily answer to pretty much anything, Mr Walker.

I want—unsurprisingly, I guess—to agree once again with the distinguished Chairman of the Select Committee on Energy and Climate Change, the hon. Member for South Suffolk (Mr Yeo), about how important carbon capture and storage will be in future to any form of mineral energy burning at all. I also want to draw attention, as the report does, to related issues: the development of carbon capture, the competition, what happens after the competition, and how CCS may sit in our energy economy in the years to come.

Unlike the Chairman, my hon. Friend the Member for Wansbeck (Ian Lavery) and I visited the first operational CCS plant in the world. It was not quite operational then, but it has been since spring, and is working well and effectively capturing the plant’s whole production. That is significant, because it demonstrates, contrary to one strand of the debate in recent years, that CCS really works. The question of how well it works economically is a second-order issue, but is nevertheless important.

Clearly, CCS in itself will not make anyone a load of money. Indeed, in terms of traditional energy economics it clearly does the opposite, but interestingly on our visit to Canada we learned that some clever circular loops have been built into the CCS process at the plant at Boundary dam in Saskatchewan. That makes the process much more economically interesting than was suggested by early studies on how it would work.

In the UK, where mercifully the first two plants—the competition plants—are, I hope, going ahead on the basis of a substantial degree of underwriting, the question to ask about CCS’s importance to the wider energy economy in future is what happens about plants three to eight. How will the UK get them under way, and make sure that the elements of CCS in which we already have a substantial lead will be part of its worldwide benefits, which the Committee Chairman described?

To roll one stage back, it is instructive to consider where we stand now with our energy strategies, and the role that mineral fuel may play in them. The recent DECC gas strategy included a series of potential scenarios for the role of gas in our future energy economy. They are predicated on a relatively high carbon figure, given as parts per kWh of energy produced—200 grams; or a lower-level scenario, with a figure of 100 grams; and, indeed, a very much lower one of 50 grams. I cannot remember exactly what page of the DECC gas strategy that is on, but an instructive chart shows what the scenario might consist of.

That shows simply that if we want, overall, a reasonably decarbonised energy supply by 2030, then probably—since it is not just likely but pretty essential that there will be an element of gas in the energy mix, balancing other forms of energy that will come forward—there will be room for perhaps 26 GW of new gas-fired plant to come on to the system, but running at a very low level, to back up and balance the working of the rest of the low-carbon energy economy. Perhaps it might run at about 18% to 20% capacity.

If, on the other hand, we want to overshoot that and double the level to 200 grams—and, to allude to the previous debate, we now know from the IPCC assessment reports that that outcome would be intolerable for our climate change goals—we might have room for 43GW of new gas-fired power stations running pretty much at full tilt. In neither scenario, incidentally, would we have room for coal-fired power plant.

The problem with the lower-level scenario is that it would mean suggesting, now, that a number of companies should invest over the coming period in gas-fired power stations that would run for hardly any of the time. That will probably not happen. At the moment a capacity auction is under way precisely to try to get investment in new gas-fired power plants. We are providing capacity payments over a 15-year period for investment in and building of those plants, which, under the relevant scenario, would not run very much.

My view is that investment on that basis simply will not happen. It is possible that no new gas-fired plant will clear the present auction process. We will get underwriting for some existing gas plants, on an annual basis, to continue to supply, but there will probably not be investment in any new gas plants. It is quite possible that without considerable financial assistance there will never be any investment in gas-fired plants in the medium term.

If that is what is ahead, might it be a better to invest in bringing forward CCS, so that the gas plants could run at the appropriate level over the relevant period—and some coal plants could run as well—than to seek the will-o'-the-wisp of providing increasing amounts of money to supply gas-fired power plant providers so they can develop plants that will not run much? Economic policy is directly relevant to the idea that we get on with carbon capture and storage, beyond the first two plants that have been subject to the competition reward, and underpin it over the next period. To my mind, that is the only way in which mineral-based fossil fuel can continue to run on our systems to any great extent over the next period.

I am not the only person saying that. The Governor of the Bank of England, Mark Carney—I was going to say that he is my good friend, but unfortunately he is not; I wish he was—warned just a few weeks ago that on the present arrangements, industry was in danger of backing stranded assets. He told a World Bank seminar that the “vast majority of reserves”—that is, fossil fuel reserves—“are unburnable” if global temperature rises are to be limited to below 2°. He meant that under present circumstances, we simply will not be able both to burn those fossil fuels and reach the 2° target. With carbon capture and storage, however, the scenario starts to change.

Graham Stringer: I am enjoying listening to my hon. Friend's analysis. I would be grateful if he answered two simple questions. How much of that analysis depends on obtaining a legally binding agreement in Paris next year? What does he think the implications of his analysis are for the development of shale gas?

Dr Whitehead: To answer the first question, I think a great deal is riding on there being a legally binding contract in Paris next year. Clearly, if Paris turns out to be a complete fiasco and everybody goes in their own direction, we will have to contemplate a future roughly like the one the Governor of the Bank of England thinks we may be facing. As for the potential of an agreement in Paris, I am encouraged by the combination of bottom-up and top-down measures, which may be a rather better way of getting a world agreement than some of the other arrangements there have been in the past. That is why it is particularly important that we contemplate serious bottom-up measures in this country.

On the second question, my personal view is that not only is shale gas in the category of reserves that are unburnable but at present we already face the likelihood that known fossil fuel reserves would have to stay in the ground if we do not do something about how we burn them—never mind us fracking rocks apart to provide new sources. The position with the carbon budget is that serious, as the Chair of the Energy and Climate Change Committee pointed out. That is why, from a wider point of view, I question whether drilling large amounts of shale gas out of the ground to add to the pile of unburnable fossil fuel is necessarily the best long-term policy idea anyone has ever had.

What may change some of those scenarios, however, is, as I have mentioned, the extent to which we move on to the ambition that I think we should have, namely that a good proportion of the new gas-fired power plants—and, perhaps, some coal-fired ones—are properly equipped with carbon capture and storage, as at Boundary dam,

Saskatchewan. That way, they can properly play their role in our energy mix while keeping us to our carbon targets.

My view—one also emphasised by the Committee—is that if we are to do that, we cannot simply hope that over the next few years those arrangements will be economic from the market's point of view. We need to give carbon capture and storage a continued policy leg-up, which can best be done through a device such as contracts for difference for the next few plants to come through after the first two competition plants. To do that, we have to look carefully at the levy control framework we have at the moment, particularly as it moves from the period up to 2020 into the period of 2020 to 2025.

It is urgent that we clarify what a levy control framework will look like over that next period, and, in particular, one that includes carbon capture and storage and other forms of energy assistance. That way there will be certainty in the market so that those developments can take place, as we move forward. At the moment, the levy control framework not only does not have room for even one more large wind farm but disappears off a cliff in 2020 in any event.

I add to the wider philosophical debate about the advantages of carbon capture and storage the practical point that we need urgent thought about just how we support CCS over the next period, so that we have the investment in it that we know will be needed if the outcomes I have described do not come to pass. We need investors to be secure in their minds that they can make carbon capture and storage a reality of the British energy scene, with the benign consequences I have outlined this afternoon.

3.36 pm

Ian Lavery (Wansbeck) (Lab): As ever, it is a pleasure to serve under your chairmanship, Mr Walker. This has been an interesting debate, as was the previous one—you missed most of it, but we discussed scientists and whether we agree with different views on energy.

I am from the ultra-modern school of the National Union of Mineworkers. I was a coal miner. I worked on the coal face and I really enjoyed that occupation—that is why I sit on the Energy and Climate Change Committee. I am not a scientist, but I am guided by scientists. That is probably the right way to be. When I was in my heyday cutting coal under the North sea, I was under the impression—it is what people had told me—that coal was the fuel of the future. I believed that then and I still do now—coal is extremely important. I was not bothered then about whether coal was burned with carbon capture and storage, or whether it was burned cleanly. It was my livelihood, and the livelihood of people in my community and in communities up and down the country.

That was the way we dealt with the situation. We opposed nuclear, renewables—every single thing—because coal was what we did. It was our livelihood. But as time went on and scientists explained that the planet was being destroyed by gas emissions from fossil fuels, I began to believe and understand that perhaps they had a point. That was against the grain, of course, but it was politics against the scientists. Now, I think the scientists are probably right, but the political situation is not where I would want it to be.

[*Ian Lavery*]

We have been talking about carbon capture and storage for 30 years. It is what we used to talk about as young men in the pit: “How can we burn coal cleanly? If we can get the technology right and the Government begin to invest in carbon capture and storage or some type of clean-coal technology, perhaps we will have a future and will be here for many years to come.” That was topical and we are still talking about it now. It was 30 years ago.

My hon. Friend the Member for Southampton, Test (Dr Whitehead) has given me a cartoon showing a scientist behind a rostrum in 1990—I think it has “IPCC” written on the rostrum—saying, “So, this climate change thing could be a problem.” The cartoon then shows the same fellow in 1995, five years later, with the same specs and same beard, saying, “Climate change: definitely a problem.” It then shows the same fellow six years later saying, “Yep, we should really be getting on with sorting this out pretty soon.” It then shows him in 2007 saying, “Look, sorry to sound like a broken record here.” It shows him in 2013 saying, “We really have checked and we’re not making this up.” Then it shows the same bloke a lot older than he was at the beginning; he was tapping the microphone and saying, “Is this thing on?” I thought that was very amusing. It highlights the fact that we have not taken carbon capture and storage seriously for generations. I have been involved in the matter and have been hoping and praying that it would save the industry I loved so much, was brought up with and miss so much.

The Minister said that Margaret Thatcher did x, y and z. I will not get too political about Margaret Thatcher and the coal industry despite the fact that she absolutely demolished it. However, I remind the Chamber that in 1988 Grimethorpe colliery had a demonstration fluidised bed combustion plant and clean coal technology plant in operation and it was closed because of the finance—£38 million. Look at what we are talking about now—£1 billion for two projects. If that project at Grimethorpe had continued, who knows where we could have been?

We all waited after that for the Longannet complex to come into operation. It took years and years by successive Governments to finalise the details and it was withdrawn at the last moment. We have been there or thereabouts for about 30 years and it is about time we got a move on.

It is interesting listening to scientists. The argument is, “Should we listen to scientists or should we not?” If the Environment, Food and Rural Affairs Committee is discussing mad cow disease, which affects farmers, experts in the field are listened to and I say that with good humour towards my hon. Friend the Member for Blackley and Broughton (Graham Stringer). Of course we are guided by people with knowledge in the field on which the inquiry was focused. We look at a number of things regarding carbon capture and storage, and the contribution that it can make to decarbonisation in the UK.

On the contribution it could make, the Energy and Climate Change Committee estimated that the UK’s decarbonisation power sector will require approximately 18-20 GW of CCS for coal and gas by 2030. The Government’s independent advice from the Committee provided an energy scenario to reach the UK’s 2030

energy decarbonisation target. The power sector currently accounts for around 25% of UK greenhouse gas emissions. The general mix to achieve a carbon intensity of 50-100 grams/kWh by 2030 suggests that the energy mix that should be in place is in the region of 40% nuclear, 40% renewable, 15% CCS, and around 5% unabated gas-fired generation. With power generation capacity of about 125 GW by 2030, that equates to 18-20 GW of CCS for coal and gas. Is that realistic? My hon. Friend the Member for Southampton, Test mentioned emission level targets: the 100 grams/kWh and the 200 grams/kWh. I think it will be extremely difficult to reach such targets. Perhaps we should look at them and concentrate on them.

Ministers and Members generally say that things are looking far better now because we are getting rid of coal, which has emission levels of roughly 850 grams. Gas has less than roughly 450 grams.

My hon. Friend the Member for Blackley and Broughton mentioned the potential for shale gas. The reality is that we are crying out for shale gas, but we must be careful what we are looking at. If we exploit shale gas and extract as much as has been suggested, we will need carbon capture and storage or we will miss every target that we have set ourselves. That is the reality. Carbon capture and storage is not just for coal; it is for fossil fuels. Shale gas is a fossil fuel and natural gas is a fossil fuel. That is why there is a real need for carbon capture and storage.

The Committee on Climate Change estimated that the power sector will capture a larger amount of CO₂ per year than industry until 2040, when power and industry are projected to capture similar quantities annually. The Committee said that,

“there is a growing role for CCS in industry through the 2020s, which by 2030 reduces emissions by around”

5 million tonnes of CO₂. So a lot of information is being pressed and put forward by the Committee on Climate Change; but I do not agree with all of it, and neither does the Select Committee.

The second issue concerns the potential benefits that the UK could get from the ability to export carbon capture and storage technology and techniques across the world. I have the latest figures in front of me and they suggest a major green-growth opportunity for the UK and:

“If CCS opportunities develop as anticipated, benefits for UK-based firms have been estimated to be between”

£3 billion and £6.5 billion a year by the late 2020s. That is fantastic.

We are living in austere times when young people need employment, skills and apprenticeships. We live in a low-wage economy. Developing carbon capture and storage and using young people, skills, apprenticeships and so on is so important for what we could do to lead the world of carbon capture and storage, and to export those technologies. We should be focusing on that as a priority.

The third issue is the international efforts to mitigate climate change and the role that UK CCS could play in that. CCS is acknowledged to be a crucial transitional technology for climate change mitigation. The UK has a crucial seedbed role to play. We are told that there is a clear danger that other countries will move ahead more rapidly, and that the UK could lose what might be

perceived to be a technological advantage in market leadership. I think we have already lost that. We keep saying that we are leaders in this and leaders in that, but we are not particularly leaders in much in terms of energy.

The Select Committee had a fantastic, very informative visit to China only two or three weeks ago. We keep telling the Chinese that we are leaders in carbon capture and storage, but we do not have a plant and they have, and we keep telling them what they should be doing. Last year, we went to Boundary Dam in Canada to look at the carbon capture plant that my hon. Friend the Member for Southampton, Test mentioned. We keep telling them that we are leaders, but we do not have anything in place yet and we are not likely to have anything in place in terms of carbon capture and storage until 2020 at the earliest—that is if we get our skates on. Even though we should be leaders, we are not, but we keep telling people that we are, when it is really not true.

The Boundary Dam project has been completed; it was estimated to start some time in March this year, although I believe that it started slightly later than that. It is a 110 MW coal power plant with retrofit CCS technology, and the total cost of the project was estimated to be about \$1.24 billion, with \$240 million from the Federal Government. We were very pleased to see it, because the Committee discussed carbon capture and storage many times without actually seeing a plant with more than two or three bricks. We have been there and done it. We have looked and got advice, and the report, in my view, is exactly what we need.

The Chair of the Committee said that despite the claims that there are many plants globally, there are only 22 projects in the world, and that includes China. Interestingly, we were in China, which burns about 1.3 billion tonnes of coal a year, largely, if not entirely, unabated. The technologies that are being developed there are fantastic. We have seen massive progress in China on renewables and nuclear, and there is a real desire to move away from coal. I think it will be extremely difficult, in the next 50 years even, to get China to convert what they are now burning in coal to other types of alternative energies—to green energy and renewable energy. We were in Beijing, which was unbelievable. You could only see 50 yards ahead of you, Mr Walker—this was a really sunny day, or they said it was sunny; you couldn't see the sun. Somebody said that the toxins in the air should be measured at about 20 to 50, according to the World Health Organisation, but on the day we were there, they were 500. It was unbelievable, and it was mainly because of the energy and power being generated in the area.

We have a huge role to play, and although we keep saying we are market leaders, we need to be market leaders. It is so important that we get on with it and develop what we said we would almost 30 years ago. There are a few barriers, and a few key players have suggested that they might be interested in moving into the market, apart from the two big projects that have been set up. However, the four key issues for potential investors in CCS projects are the operating costs, the contractual terms and the involvement of contracts for difference, the storage performance risk and the CCS development timelines, which I have already mentioned.

We have to get on with it. We have to make sure that when we say we are the leaders, we actually are the leaders in carbon capture and storage. It is not just for

the coal industry; it is for the gas industry, too, whether that is natural gas or shale gas. We and the European Union have set ourselves some very harsh emission-level targets for the future, for 2020, 2030 and 2050, but we cannot achieve any of those targets unless we have carbon capture and storage up and running in this country.

3.54 pm

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): It is a pleasure to serve under your chairmanship here, Mr Walker, just as it is in other forums of the House. I am grateful for the opportunity to follow the contributions from members of the Select Committee to this interesting debate. The Committee's report was timely, coming as it did alongside further interest from the Government in some of the other documents that others have touched on, including the Government's scoping document.

I was here for most of the previous debate, although I missed the opening comments from the Chair of the Select Committee—whatever state of dress he was in. The right hon. Member for Hitchin and Harpenden (Mr Lilley) also spoke, but he is not here now. Although I have not read the full 1,000 page report, I have read some of the summary documents that were referred to. I do not think that those documents were seeking to mislead anyone in making clear the importance of carbon capture and storage for the future. These debates follow on from each other in quite a relevant way.

I have taken part in most of the debates on carbon capture in this House in the last four or so years, first as a Back Bencher and then as a Front Bencher. My view is that CCS is an absolutely vital technology in our transition to a lower-carbon economy—not just for the generation of power, but in terms of a number of energy-intensive industrial processes.

Some people argue that it may be well be possible to generate power in various different ways that mean that carbon capture and storage proves to be too difficult or expensive or becomes something that happens further into the future. However, without carbon capture and storage I do not think that there is any realistic option or alternative for a number of industrial processes to reduce significantly their carbon emissions while continuing to be part of our industrial space and foundation industries for the manufacturing base and other sectors in this country.

It is important that we make sure the focus in the Select Committee's report on industrial clusters is not lost in this or any other debate about carbon capture and storage, because it is vital. As I have previously remarked, power can be generated from wind, wave and solar, but no one has yet demonstrated how to manufacture steel from sunshine. That is unlikely to be the case in our lifetimes and for that reason, apart from any other, CCS remains vital.

I say that because one of the frustrations in our various discussions of CCS over the past few years is that every now and then, it becomes something that people alight and comment on, saying it is important and wanting to demonstrate commitment to it, but then the subject disappears again and when it reappears we find that we have not moved far along. That is not all the fault of the current Government or the previous Government; some of it is to do with technical issues.

[Tom Greatrex]

It is, however, vital that there is a sense of serious and significant engagement from the Government in the existing situation and into the future.

In August, the Government published their scoping document and there is a lot to commend in it. Interestingly, it also refers to carbon capture and utilisation, as well as to carbon capture and storage, which is another important and interesting aspect. There is no denying that many in the nascent CCS industry were disappointed with some of the content—or, more accurately, lack of content—in the scoping document about some of the big issues that my hon. Friends the Members for Wansbeck (Ian Lavery) and for Southampton, Test (Dr Whitehead) have touched on, particularly on the way in which contracts for difference will work for CCS technologies and how that will be taken forward. There was a level of expectation that things would at least be begun to be addressed in that document in a way that, actually, they were not.

I am conscious that there have been some announcements this week. I am not sure whether the members of the Select Committee know—I was made aware of this while listening to the previous debate—but the Government have today released to the CCS Development Forum some proposals in relation to phase 2 projects that seem, from the summary that I have just been able to get by e-mail, quite interesting.

It is welcome that the Government propose to establish an expert group—the Minister may be able to help me if I have got some of the details wrong—that will probably meet before Christmas and will provide evidence to Ministers by April on the way in which phase 2 projects could be taken forward. I presume that that will be a matter for whoever the Government are post the general election.

That is a welcome development. I am also pleased that the UK Government and the Canadian Government this week signed a joint statement on a number of issues relating to CCS, but particularly about cost reduction, to which the Chair of the Select Committee referred. Other issues include the ways in which intelligence, expertise and experience can be shared to meet shared goals.

I was struck by the point that my hon. Friend the Member for Wansbeck made in his description of the series of cartoons about climate change. We could apply that to many different areas of energy policy. The point that I will make is that, often, the longer we leave decisions, the fewer options we have and the more expensive they become. That is certainly relevant in this case. My hon. Friend referred to the lead that the UK claims to have in relation to carbon capture and storage. He is right: we say and have said that frequently. We may not be in the lead, but we do have very significant academic and industrial expertise, which is important. We have the experience of earlier projects, including Longannet, which Scottish Power pulled out of a couple of years ago, for a range of reasons. Some were financial, but some were technical, so there is valuable experience from that.

We have something else that I think is quite important—potential storage capacity that, to other places in Europe, may well be very attractive. Depleted oil and gas fields are available and could potentially be sites for storage. The Select Committee Chair referred to some of the

issues in relation to public acceptability. Members of the Committee will be well aware of the situation in Germany, where the public antipathy or opposition to carbon capture and storage was very strong from the very early stages because people were not comfortable with the idea of carbon dioxide being stored underground. However, if we have the opportunity to offer storage sites, a wider economic advantage could come with that.

There is a huge amount of opportunity, which we should not seek to underplay. My hon. Friend the Member for Wansbeck also touched on this issue. The opportunities in relation to economic activity are also potentially very significant. Not immediately but in the second half of the 2020s and beyond, this could be not just an enabler of industries continuing in parts of the country, including—not quite in his area—in Teesside and the cluster of industrial activity there; it could be, in and of itself, a significant employer. There is real potential, which has been highlighted by various bodies.

Ian Lavery: Does my hon. Friend share my disappointment that the project at Hatfield was withdrawn or was not successful in getting grant assistance from the Government, despite the fact that it was the top project in Europe in the *NER 300*?

Tom Greatrex: I do indeed. I think that I recall discussing that very issue with my hon. Friend when the decision was made. It was an absurdity to have the top-rated project in Europe and not to achieve the *NER 300* support because of the inability of the UK Government to find match funding when they had been saying that £1 billion was available at that point within that comprehensive spending review period. We later discovered, of course, that that was moved to other infrastructure funds and was not then available. That is one of the frustrations that there have been along this bumpy road in recent years.

There have been other frustrations. Some are down to the attitude and commitment of the Government. Some are due to technical reasons and some are due to financial reasons. We have had a situation over many years—it predates this Government; it also existed under the last Government—in which confident predictions are made about how quickly CCS will be available and operational, but we have not met them. That makes the urgency of seeking to meet them all the more important in the years ahead.

The hon. Members who took part in the visit to Saskatchewan referred to the project there. I am struck by the comments just today from Michael Monea, the president of CCS initiatives at SaskPower, about the level of commitment required to ensure that it got the first project up and running. That is also an important point.

Hon. Members have referred to the 22 projects that there are currently around the world. There were previously about 70. Then the number went down to about 50 and now it has gone down to 22. The danger that we may have is that where CCS projects get up and running, they become almost engineering curiosities, isolated from anything else.

We should be very aware of the need to take the programme forward for further projects, because although the competition and the two projects that are undergoing

their front-end engineering design studies at present—the Peterhead project and the White Rose project—are important, we want them to be the start of something, rather than just curiosities, as other things have been in the past. That is why I genuinely welcome the information that I got just a couple of hours ago about the work on phase 2 projects. I think and hope that that indicates real commitment to taking those forward, because without that, we will not achieve many of the things that we want to achieve.

The other point to make about industrial CCS is that of the 22 projects, only three are power stations; the remainder include industrial facilities manufacturing iron or processing other things and projects at natural gas processing facilities. That underlines the point about the importance of making progress on industrial CCS. Again, the Select Committee report highlighted that. Indeed, it concluded that there has not been the necessary level of commitment from Government in terms of promoting clustering and the benefits from that.

A range of difficulties are associated with seeking to do CCS for industrial processes, because there are, potentially, a number of different industrial companies on a site or within a geographical area. They will almost inevitably be operating at different points in their own economic cycles, and the capital available will be different. In some ways, it is probably conceptually easier to think about CCS for a power station than for a series of industrial processes in a geographical area, but that makes the case for greater Government discussion of and interaction and engagement with such projects, because for those reasons they are more difficult.

I am glad to have had the opportunity to take part in this debate on a subject that I personally find fascinating and interesting. I apologise for going on for a slightly longer time than I was probably allocated in order to expound some of my views. Carbon capture and storage is a vital process. Everyone who has taken part in the debate has made it clear that they see the importance and urgency of seeking to achieve it. There are different levels of optimism, but I think that we would be in a much worse position if CCS was not something that remained a realistic possibility.

I believe personally that in the long term CCS is a necessity, rather than an option, and that this and future Governments should engage in facilitating and helping to ensure that we manage to achieve that opportunity—for the benefit of our environment, our energy security and a number of different industries, which I very much hope will continue to be part of our economic model in the United Kingdom.

4.9 pm

The Parliamentary Under-Secretary of State for Energy and Climate Change (Amber Rudd): Once again, I congratulate my hon. Friend the Member for South Suffolk (Mr Yeo) on securing the debate. We have had some interesting contributions, and it is reassuring and encouraging to see that there is so much commitment to the subject.

The Energy and Climate Change Committee inquiry and report on carbon capture and storage highlighted several important issues. In the Government's response, we welcomed the Committee's report and set out the action we are taking in the field. I welcome the opportunity to set out in more detail our work to develop that

important technology and our longer-term vision for CCS. I also welcome the opportunity to celebrate the important CCS milestones that have been reached since the Committee published its report in May. Those milestones have reinforced the message about the potential of that important technology.

CCS has the potential to be a critical part of the Government's plans for future growth in a low-carbon economy, and the need for it is absolutely clear. CCS offers us the chance to enjoy the energy security and resilience benefits of fossil fuels, including our indigenous fossil fuel resources, without the associated emissions. CCS could help us meet our emissions targets in a cost-effective way, allowing us to manage the costs of decarbonisation. The Energy Technologies Institute estimates that successfully deploying CCS could cut the annual cost of meeting our carbon targets by £32 billion by 2050, and it creates opportunities for jobs, growth and exports. The global CCS market is predicted to reach £100 billion by 2050. Because of its potential to contribute to an affordable and sustainable energy mix, its advantages for energy security and resilience, and the growth and investment opportunities it represents, we are committed to working with industry to develop and deploy CCS at commercial scale. We are taking forward a comprehensive package of measures, with significant funding, designed to develop CCS in the UK and ensure we can seize the benefits that that exciting technology offers.

We anticipate that there could be three phases of development of CCS in the UK. The first phase is the current CCS competition, about which we have heard something this afternoon. Through that competition, we want to support up to two CCS projects through to construction, but it will deliver more than that. Those projects could prove the technology at scale in UK conditions, drive down risk, lay down critical CCS infrastructure and demonstrate successful commercial arrangements for CCS. In the second phase, further CCS projects will build on the foundations of the competition, before a third phase in which we hope to see the transition to commercial cost-competitive CCS. Our policies are designed to help bring CCS to that final phase, which is the point at which it can compete with other low carbon technologies.

The Government are working hard to get the first projects up and running in UK conditions. Our £1 billion commercialisation programme is designed to help that to happen, and we have made good progress with the White Rose and Peterhead projects over the past year. In December last year, together with Capture Power Ltd and National Grid, we signed the multi-million pound front-end engineering and design contract for the White Rose project. That innovative proposal is to build the world's biggest oxyfuel power plant at the Drax site in Yorkshire with full carbon capture and storage, which could bring clean electricity to more than 630,000 homes. That will link into the planned development of a CO₂ transportation and storage infrastructure called the Yorkshire Humber CCS trunkline, which could have capacity for additional CCS projects in the area and provide the foundation for further CCS projects in the region. I hope that that will also address the clustering issue that the Select Committee referred to.

In February this year we signed a contract with Shell for a FEED study of its Peterhead CCS project, which could become the world's first commercial-scale gas

[Amber Rudd]

CCS project. The proposal is to attach carbon capture technology to the existing gas power plant at Peterhead and transport the CO₂ for permanent storage in the depleted Goldeneye gas field. The project could bring clean electricity to more than 500,000 homes and capture 1 million tonnes of CO₂ each year.

Gas will continue to play a significant role in the UK's future energy use. It is important for our energy security, because it provides secure but flexible generation to complement other intermittent low-carbon sources. The UK has established gas resources in the North sea, and there are also exciting opportunities from shale gas. The Government are working hard to bring forward investment in gas through the capacity market, but in the longer term, being able to use CCS on gas will be important to help us meet our emissions reduction targets. Not only do our chosen projects help to commercialise different generation and capture approaches, but they develop important transportation and storage infrastructure. White Rose involves building a new pipeline and storing carbon in a saline formation, and Peterhead intends mostly to reuse existing North sea infrastructure and a depleted gas field. That approach could allow us to commercialise and de-risk a variety of CCS-related approaches which will help pave the way for the projects that follow.

We have set aside £1 billion to support the first CCS projects in the UK, and we are investing £100 million of that now in the development of detailed engineering and planning designs for those projects. That is essential work, which the companies must carry out thoroughly, and they require time and support to do that. That work will provide information on costs that will allow the companies and the Government to take sensible final investment decisions, which we expect to be taken in late 2015 and early 2016, on whether to proceed with the projects. I hope that that will reassure hon. Members about our commitment to developing CCS and our determination finally—we appreciate that we have waited a long time for this—to achieve the production of CCS.

Our vision for CCS in the UK does not stop at those projects. We want a strong and successful CCS industry that can compete on cost with other low-carbon technologies in the 2020s, and that deploys up to 13 GW by 2030. We published “Next Steps in CCS: Policy Scoping Document” in August. The document sets out the steps that we have taken so far to develop CCS and our views on the issues that must be addressed in order to bring forward future phases of projects. We are now reviewing the responses to the document to help inform future decisions. The consultation covered a range of issues that we believe will be important in setting the policy framework for further CCS projects.

I reassure hon. Members that we are ambitious for the UK to be at the forefront of the technology, and we are always thinking ahead to ensure that we can support innovation in that field. This morning, I visited Imperial college in Kensington to look at various projects, one of which was described as carbon negative. It was not simply CCS; it actually removed carbon from the atmosphere. There is a lot of innovation in the field, and we are keen to support it. The hon. Member for Wansbeck (Ian Lavery) referred to seeding new projects, and that is exactly what we are doing. We are the only

EU country where Government funding is supported for that, so I believe that we are leading in the field. We are working with 13 CCS projects in depth, and we have supported them with a total of £20 million. Many of those projects are based at other leading UK universities. This is an exciting and innovative science, and we must spread our support around to ensure that we back the eventual winner.

Tom Greatrex: The Minister is talking about other projects. Can she enlighten us about when the Government will be able to explain how contracts for difference will be adjusted to become workable for future CCS projects? That is a big barrier to potential and partly developed projects.

Amber Rudd: I appreciate the hon. Gentleman's question, and I will address it as I proceed.

The electricity market reform programme will provide a route to market for CCS projects. The reforms are specifically designed to bring forward investment in low-carbon generation, including CCS. One of the key elements of EMR is the introduction of contracts for difference to incentivise investment. In recognition of the fact that the first CCS projects require specific support, the first CfDs will be agreed through the competition process. We are also looking at how EMR can help subsequent projects, and we are working with CCS developers to understand the support that they need to bring their projects forward.

In July, we decided to hold back a significant part of the levy control framework budget, retaining almost £1 billion available by 2020-21 for allocation to renewable and CCS projects, including up to two CCS competition projects. That will ensure that later projects, which may be better value for money, have a potential route to funding.

The hon. Member for Rutherglen and Hamilton West (Tom Greatrex) referred to industrial CCS, and we agree that CCS could be important for supporting the decarbonisation of the UK's energy-intensive industries. Those sectors are not only major employers in the UK but vital for a low carbon economy. Wind turbines need steel, cement and chemicals, and we are making progress in that area. In December 2013, the Prime Minister announced £1 million for a feasibility study on CCS for industrial emitters as part of the Tees Valley city deal. Our engagement on that with the energy intensive sectors continues. Officials from my Department and the Department for Business, Innovation and Skills held two workshops earlier this month in London and Teesside, building on the report we published in May on the current state of technology and costs for CCS in four key sectors: steel, cement, chemicals and refining. The first outputs from the Tees valley work will be available in 2015, and we will also be publishing broader work on how to decarbonise key industrial sectors in early 2015.

The review led by Sir Ian Wood on maximising recovery from the UK continental shelf was published at the same time as the Peterhead announcement in February. The review recognised the exciting opportunities that CCS offers for the North sea, turning depleted oil and gas fields into CO₂ stores and presenting new opportunities for our world-leading offshore and subsea industries. Sir Ian encouraged further collaboration across industry, with DECC and the research community,

as the most appropriate means to promote growth in this area. The UK has extensive, well mapped capacity for offshore storage, and developing that potential would be mutually beneficial for the CCS and North sea industries. Sir Ian was also interested in the role CO₂ could play in enhanced oil recovery in the UK. We saw in north America how EOR played a critical role in the development of CCS.

Building the supply chain is another key part of our vision for CCS. We want to maximise the potential to contribute to UK jobs, growth and exports. So far, more than 20 front-end engineering and design subcontracts have been awarded, supporting both the Peterhead and White Rose CCS commercialisation programme projects, and the Government are supporting partners such as the Energy Industries Council to facilitate contact between the projects and companies through supply chain events.

We are now also seeing exports. A key US CCS project at Kemper county, Mississippi is due to go into operation next year, and it will be powered by \$2 million compressors manufactured by the Howden Group at Renfrew in Scotland. In addition, our world-class £125 million R and D programme is developing better, cheaper CCS technologies, including finding new uses for CO₂ rather than simply storing it deep under the sea bed. Eonic Technologies, a small company based in London, secured a further £5 million at the end of last year from industry partners to continue work funded by DECC to develop new plastics that use carbon dioxide. Those examples give a sense of the opportunity we have through CCS to support economic growth in this country and to establish the UK as a world leader in CCS technology and innovation.

Dr Whitehead: Before concluding her remarks, will the Minister clarify what she means by £1 billion being left in the levy control framework in 2021 for CCS? As far as I understand from the material recently published by DECC on the passage of the levy control framework, £1 billion will be left in the framework only if the cumulative consequences of previous allocations of levy control framework-based technology are not taken into account.

Mr Charles Walker (in the Chair): Before the Minister answers that question, I ask her to leave a couple of minutes at the end for the Chair of the Committee.

Amber Rudd: I thank the hon. Member for Southampton, Test (Dr Whitehead) for his question, but I will have to come back to him with a full answer.

I will conclude, as I want to leave my hon. Friend the Member for South Suffolk some minutes at the end. I want hon. Members to be in no doubt that we are committed to CCS and that we are working with the two winners of the competition to give them as much support as we can to develop this technology so that we can become the world leader, not only the leader in the EU. We also feel that there is opportunity to support innovation in this area. I reassure hon. Members that my Department is working with various universities on a number of projects. I have looked at some of those projects, and they are incredibly exciting. Science is moving forward, and although I share the Committee's frustration to a certain extent—the word “frustration”

comes up a lot in the Committee's comments about CCS programmes—we have to manage taxpayers' money carefully to ensure that we are stimulating development and supporting the production of CCS in a way that is economical and ambitious so that we can become the world leader. Of course, to stick to our ambitions we have set targets, which we intend to meet. We believe that CCS is an important part of that.

4.25 pm

Mr Yeo: I thank everyone who has taken part in these two debates, particularly my hon. Friend the Minister, for her responses. We will hear from her again on another subject next week, when she gives evidence to the Committee for the first time since her appointment. I also thank the hon. Member for Rutherglen and Hamilton West (Tom Greatrex) for his contribution. There is a fair degree of bipartisan consensus on CCS, which is helpful in an industry where decisions have to be taken for investment purposes on a very long-term basis.

I warmly congratulate the hon. Member for Wansbeck (Ian Lavery) on his speech and his obvious and passionate pride in the industry in which he worked. The first parliamentary election I fought was in a south Wales mining constituency more than 40 years ago. I remember the extremely vibrant engagement I had with many people who worked in the industry at the time, when of course it was a vastly more important employer in south Wales than it is today. One of the most astonishing statistics is that just over 200 years ago in, I think, 1800, 98% of the coal being mined in the whole world was mined in the UK. The ability to move that coal from Newcastle to London, which at the time was the centre of the manufacturing industry, made that possible. Our leadership in mining and using coal was one of the principal factors behind the industrial revolution, so it would be fitting if, having led the world in the exploitation of coal, we could also lead the world in the technology that makes it possible to go on using coal during the rest of this century.

The hon. Member for Southampton, Test (Dr Whitehead) and I often agree, and I hardly ever hear him say anything that I would not have said myself. The point he just raised with my hon. Friend the Minister, was exactly the point that occurred to me, so I too look forward to the response. The question goes to the heart of some of our concerns about the long-term future of the levy control framework, which is absolutely essential to supporting low-carbon electricity generation. To give the Government credit, investment in low-carbon renewable energy has increased enormously in the past few years. That is a great success story, and we want it to continue into the 2020s. To do that, we must be clear about how the levy control framework will work beyond 2021.

I am grateful for those contributions. This has been a useful debate, although I know it has not been hugely well attended. I repeat my thanks to the second Clerk of the Committee for his assistance at the start of this sitting, and I am grateful to you, Mr Walker, for your courteous and elegant chairmanship.

Question put and agreed to.

4.28 pm

Sitting adjourned.

Written Statements

Thursday 20 November 2014

FOREIGN AND COMMONWEALTH OFFICE

St Helena Child Abuse Inquiry

The Secretary of State for Foreign and Commonwealth Affairs (Mr Philip Hammond): The House will be aware that serious allegations have been made by former employees of the authorities of the British overseas territory of St Helena. These allegations involve claims relating to child abuse in the territory, police corruption and incompetence, and a conspiracy by the St Helena Government (SHG), the Foreign and Commonwealth Office and the Department for International Development to cover these up.

We are bound to take such allegations extremely seriously. Former FCO Minister for Overseas Territories, the hon. Member for Boston and Skegness (Mark Simmonds) announced to the House of Commons on 21 July, *Official Report*, column 880W, the establishment of an independent inquiry to establish the truth of these allegations and make recommendations as appropriate.

I am pleased to inform the House that I have agreed that Ms Sasha Wass QC should lead this inquiry. Ms Wass is a very accomplished barrister with substantial professional experience of dealing with these kinds of issues. I am confident that she will lead this inquiry with great rigour, fairness and sensitivity.

Matters of child safety require discretion and confidentiality. The issues self-evidently involve vulnerable people, whose privacy must be protected and confidences respected. I am certain this inquiry will do that. But it is also important that this process is as transparent as possible. That is why I am today publishing the inquiry's terms of reference, agreed with Sasha Wass, so the full scope of the issues is clear to everyone. I am also placing a copy of the terms of reference in the Library of both Houses.

I understand that Ms Wass will conduct an initial review of the allegations contained in various documents, including the independent reports produced by others in response to specific concerns raised previously. We are also providing Sasha Wass with full disclosure of the UK papers that relate to these allegations. Ms Wass will then make a judgment about the scope of her investigations, including on the appointment of a team of independent experts to help her with this task. I also understand that Ms Wass will travel to St Helena once this initial phase of her work is completed.

Since allegations relating to child safety were first raised in late 2012, the British Government have been swift to ensure that they were investigated appropriately. We commissioned the respected Lucy Faithfull Foundation to conduct an initial review, which was then followed by an investigation by Northumbria police. The reports made important recommendations, which the authorities on St Helena are working to implement with support from the UK. A number of arrests and convictions for child sex offences have also occurred.

More, however, needs to be done. This new inquiry will not be quick. But it will be thorough. And I am confident that the facts will be established.

HEALTH

Innovative Medicines and Med-tech Review

The Parliamentary Under-Secretary of State for Health (George Freeman): I am today announcing an external review of the pathways for the development, assessment, and adoption of innovative medicines and medical technology.

Technological advances including digital diagnostics, cell therapy, genomics and stratified medicines are fundamentally changing the health care landscape and the way in which these advances are developed and utilised. These advances have real potential to transform prevention and treatment, improving patient outcomes. Yet they are increasingly challenging traditional systems of regulation, assessment and adoption, the subject of growing public and professional debate.

The innovative medicines and medical technology review will consider how our health care and regulatory systems can best respond and adapt to this new landscape of innovation. We are strongly placed to do this: our £1 billion National Institute for Health Research programme provides a platform for testing and evaluating medical innovations, and we have internationally—renowned expertise in evidence—based assessments of the health economics of drugs and devices.

The review will consider how to speed up access for NHS patients to cost-effective new diagnostics, medicines and devices. It will focus on innovative types of product: in particular, drugs based on stratified medicine, new diagnostics, and digital health technologies. It will examine the pathway from “first in human” trials, through licensing and health technology appraisal, to commissioning, reimbursement and clinical practice. It will set out both short and long-term options for action by Government and relevant bodies—including the National Institute for Health and Care Excellence, Medicines and Healthcare Products Regulatory Agency and NHS England.

We expect the review to recognise the public spending environment in which the NHS operates, and the overriding need to ensure value for money. It will respect the parameters of the 2014 pharmaceutical price regulation scheme for branded medicines, and take account of the existing statutory responsibilities of NHS bodies and the European legislative frameworks for the regulation and procurement of medicines and medical technologies. It will start early in 2015 following the appointment of an independent organisation to lead the work, and report back in the summer.

TRANSPORT

Crossrail 2 Safeguarding Consultation

The Parliamentary Under-Secretary of State for Transport (Mr Robert Goodwill): I am today publishing a consultation document to seek views on an updated safeguarding direction for the proposed Crossrail 2 rail project, replacing the previous safeguarding direction issued in 2008.

Crossrail 2 is a proposed new rail line across central London, running from Tottenham Hale in the north-east to Wimbledon in the south-west. The route passes through the City of Westminster, Lea Valley regional park authority, the London boroughs of Barnet, Camden, Hackney, Hammersmith and Fulham, Haringey, Islington, Merton, Waltham Forest, and Wandsworth, and the Royal Borough of Kensington and Chelsea.

Safeguarding is the first stage in the planning process. It enables the Secretary of State for Transport to issue a direction to local planning authorities to protect land needed for long-term infrastructure projects. Safeguarding

does not necessarily prevent other developments from taking place, but it ensures that when they do take place the design can accommodate the planned infrastructure.

The consultation will take place over 10 weeks from 20 November 2014, closing on 28 January 2015. After the consultation period a summary report will be made available on the Department for Transport website, analysing the responses received and providing the Department's response. Subject to the results of the consultation, it is expected that the report and safeguarding direction will be issued in early 2015.

Copies of the consultation, and associated documents, will be placed in the Libraries of both Houses.

ORAL ANSWERS

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