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PARLIAMENTARY DEBATES  
(HANSARD)

**HOUSE OF LORDS**  
**OFFICIAL REPORT**

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

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## House of Lords

Thursday, 29 January 2015.

11 am

Prayers—read by the Lord Bishop of Leicester.

### House of Lords: Oral Questions Question

11.06 am

Asked by **Baroness Sharples**

To ask the Leader of the House whether she intends to make any proposals for changes to Oral Questions.

**The Lord Privy Seal (Baroness Stowell of Beeston) (Con):** My Lords, we are a self-regulating House. With that in mind, my proposal is that we uphold the responsibility shared between us all to observe the courtesies and rules of conduct at Question Time. For me, that means short supplementary questions and answers, and a considerate approach to deciding who is next to get in. I look forward to working with all noble Lords in pursuit of those standards.

**Baroness Sharples (Con):** How can we persuade noble Lords to read the Standing Orders, which state that supplementary questions should not be read? Even iPads are brought into the House with already prepared questions. Would that make a difference to the number of Peers who are able to enter a question? That would give them more time, would it not?

**Baroness Stowell of Beeston:** I would like to say first of all that we as a House offer something different from the other place. It is not just about what we do but how we conduct ourselves. Our customs and conventions are there to help us do just that. On the point about reading, my noble friend is absolutely right. Paragraph 6.29 of the *Companion* is clear: questions should not be read. In my view, if a question needs to be written down, that is a sign that it is probably too long. I urge all noble Lords to comply with the rules on that and ensure that questions are kept brief.

**Lord Rooker (Lab):** I say to the Leader that Question Time in this place is much tougher for Ministers than it is in the other place. I say that from experience, having done both—others are in the same position. It is much tougher, with four Questions and 30 minutes. However, what is a farce is choosing the supplementary speakers. I want an early vote in the new Parliament to give that role to the person in the Chair.

**Baroness Stowell of Beeston:** I really do disagree with the noble Lord's description of the way in which we conduct ourselves during Oral Questions in so far as who gets to ask a supplementary question, because none of us chooses who gets to ask a supplementary question. It is the responsibility of all of us to ensure that we all have an opportunity to ask a question. In this Session alone, more than 400 Members of this

House have been able to ask a question, so quite a lot of Peers have that opportunity. It would be a very big and serious step for us to move from the position we have now, which is freedom for everybody, to one where we invest power in a single person.

**Lord Geddes (Con):** My Lords, I am told that I have a certain reputation in this context. Will my noble friend confirm to me and the House that there is no such person as a “noble Archbishop” or a “noble Bishop”—they are a “most reverend Primate” or a “right reverend Prelate”? The epithet “learned” is restricted to those who have held senior posts as judges or Law Officers of the Crown—

**Noble Lords:** Too long!

**Lord Geddes:** Far too long.

And, indeed, with great respect to the noble Lord, Lord West, who holds an award for extreme gallantry, that epithet is reserved entirely for Admirals of the Fleet, Field Marshals, Marshals of the Royal Air Force, Chiefs of the Defence Staff and holders of the Victoria Cross or the George Cross.

**Baroness Stowell of Beeston:** My noble friend is absolutely right.

**Lord Dubs (Lab):** My Lords, this happens not only at Question Time but when there are Statements. Does the Leader agree that the difficulty with Statements is that some Members of this House make speeches, so very few people can get in?

**Baroness Stowell of Beeston:** The noble Lord is right. Too often, noble Lords are moving away from the conventions and the guidance in the *Companion* by extending questions into statements and short speeches. I urge all noble Lords to refrain from doing so. It removes the opportunity for more people to get in.

**Lord Avebury (LD):** My Lords, when the Procedure Committee recently looked at the method of allocating Oral Questions, it decided not to change to a ballot, as was considered two years ago by that Select Committee on Procedure and rejected then by the House. However, that was on the grounds that the Whips would be able to manipulate the Oral Questions. They do not do that with the Topical Questions here, which are selected by ballot, nor do they in the Commons, where the Questions are selected by ballot. Will the noble Baroness the Leader of the House find a way of consulting the majority of Members of the House who might be found to want a change to the ballot system? When we had a straw poll on it among the Liberal Democrats, an overwhelming majority were in favour and only four of us were against it.

**Noble Lords:** Too long!

**Baroness Stowell of Beeston:** My noble friend did raise this with me recently; I raised it again on his behalf at the Procedure Committee and I am afraid that the committee did not find favour with that proposal. However, he is right to remind me of this and I will obviously keep my ears open for other views on this matter.

**Lord Laming (CB):** My Lords, in dealing with this Question so far, some of the concerns that some of us feel about the way that Questions are handled have been well illustrated. Will the Leader of the House use her good offices to do everything that she can to make sure that the common courtesies laid out for this House are properly adhered to? This House was renowned for its courtesy, and I hope that it will continue to be so.

**Baroness Stowell of Beeston:** The noble Lord is absolutely right, and I agree that it is those courtesies that distinguish us and contribute substantially to the reputation of this House.

**Baroness Royall of Blaisdon (Lab):** My Lords, I have to agree with all noble Lords that common courtesies are of the utmost importance, but the substance of the Question is more important than the way in which we address our colleagues. We are all agreed that debates in this House are at their best and are marked by great depth and seriousness. We have that at Question Time and do that when we scrutinise the Government. But does the noble Baroness share my concern that Ministers in this House too often imitate their colleagues in another place by finding ways to avoid answering Questions? Will she discourage this and also discourage some noble Lords from their use of what I might call planted patsy Questions, which do this House no favours?

**Baroness Stowell of Beeston:** There is a responsibility on all of us participating in Question Time to conduct ourselves in a way that means that the Government are held to account and that information is provided that might otherwise not have been aired in the course of exchanges. I will certainly work hard to ensure that we uphold our responsibilities on the Front Bench in the future.

## Armed Forces: Aircraft Carrier *Question*

11.15 am

*Asked by Lord Empey*

To ask Her Majesty's Government whether they will have operational aircraft to fly off the new Queen Elizabeth aircraft carrier when it comes into service.

**The Parliamentary Under-Secretary of State, Ministry of Defence (Lord Astor of Hever) (Con):** My Lords, initial flight trials of the F35B aircraft from the carrier remain on track for 2018, allowing a coherent build-up towards delivering a cutting-edge expeditionary capability for the UK from 2020. Royal Navy and Royal Air Force pilots and supporting ground crew are now operating UK F35Bs in the US, to conduct flight and weapon trials and, in due course, flights off our carrier. Our carriers will be capable of operating a wide range of operational aircraft, including helicopters.

**Lord Empey (UUP):** My Lords, there is widespread concern at the substantial gap in time during which we will have an absence of capability. This is also evidenced

in our having no capability whatever in airborne anti-submarine detection, running in parallel. Was it wise to put all our eggs in one basket and leave a major part of our defence capability dependent on the development of a single aircraft which is, as yet, unproven and increasingly expensive?

**Lord Astor of Hever:** My Lords, this is a fantastic aircraft. British pilots who fly it tell me it is a real step change in capability. The F35 fleet has now flown some 20,000 hours and successfully completed two sets of sea trials off the USS "Wasp". The F35 is the world's largest single defence programme, and the UK is playing a leading role as the only non-US level 1 partner, resulting in significant contracts and jobs for UK industry.

**Lord Trefgarne (Con):** My Lords, is it not intended that the United States Marine Corps will purchase and operate the same aircraft as us? Will its aircraft be operating from our carriers?

**Lord Astor of Hever:** My Lords, British F35B aircraft and pilots will be the first to operate from our carriers. UK pilots, engineers and deck handlers are currently operating from US Navy carriers, developing and maintaining skill sets to regenerate our carrier strike capability, working, as my noble friend said, with the US Marine Corps. We continue to identify opportunities to develop interoperability and synergy with our allies, including potential options to operate US Marine Corps aircraft from our carriers.

**Lord West of Spithead (Lab):** My Lords, I am sure the whole House, and the nation, are delighted that we are now developing this carrier capability again after the real risk we took in 2010 of dropping it for the first time in 100 years. We are looking forward to this date. It is a long period of risk: we have got through five years of it and there are five years to go. There have been reports that the Sea Lightning—which rolls off the tongue much better than Lightning II, so perhaps the Minister would consider calling it Sea Lightning in future, rather than F35B—might be vulnerable to cyberattack through the autonomic logistics information system. If this is true, will the Minister confirm that we are making sure it is resilient, and that that resilience will be hardened, to stop that happening?

**Lord Astor of Hever:** My Lords, that is a very good question. I gave a Written Answer to the noble Lord, Lord Davies, on this very subject. The F35 autonomic logistics information system has been designed to be resilient against cyberattack and will be subject to testing throughout the life of the programme.

**Lord Boyce (CB):** My Lords, does the Minister agree that, pending the full operational capability of the Sea Lightning, between that date and when the aircraft carrier is actually commissioned, there are other roles it can very usefully play around the world?

**Lord Astor of Hever:** I absolutely agree with the noble and gallant Lord. The carriers are highly versatile defence assets, able to meet the widest range of tasks, from humanitarian assistance to carrier-strike and

amphibious operations with Royal Marines and battlefield helicopters. Work is under way to plan the most effective and coherent way to operate the carrier capability. This includes the development of deployment cycles, manpower requirements, total F35B—or Sea Lightning—numbers and interoperability with allies.

**Lord Lee of Trafford (LD):** My Lords, will my noble friend confirm that it is the intention to place a contract very shortly, perhaps in April, for the dredging of Portsmouth harbour? Will he give an indication of the likely cost of that dredging?

**Lord Astor of Hever:** My Lords, I assure my noble friend that it is our intention to dredge Portsmouth harbour. As we are in the process of selecting the preferred bidder, it would be inappropriate to give a cost. We will also be carrying out some other infrastructure upgrades to support the carriers coming into Portsmouth.

**Lord Tunnicliffe (Lab):** I thank the Minister for his comprehensive Answer on the dates for the aircraft and the carrier. However, if you google the aircraft, looking particularly at the US media, you see that the project is full of delays, with tranches of software not available and guns that will not work for more than four years, while the Department of Defense says that the programme is unaffordable. How confident is the Minister that the dates he has given will actually happen? How many aircraft do the Government envisage buying, and will there be enough aircraft to operate on both carriers?

**Lord Astor of Hever:** My Lords, I am told that there are always technical issues during the test phase of an aircraft programme, so what is happening is not uncommon. With regard to the numbers, the UK has received three of 35 to date. Another is being built, and the MoD recently approved the purchase of 14 additional aircraft, the first four of which were ordered at the end of last year. Total F35 aircraft numbers will be examined within SDSR 15.

**Earl Attlee (Con):** My Lords, will the Minister join me in paying tributes to the noble Lord, Lord Bach, for getting UK industry fully involved in the F35 programme?

**Lord Astor of Hever:** I absolutely agree with my noble friend.

## Oil Prices: Rural Consumers

### Question

11.22 am

Asked by *The Earl of Courtown*

To ask Her Majesty's Government what they are doing to ensure that the benefits of lower oil prices are passed on to consumers, particularly in rural areas.

**The Parliamentary Under-Secretary of State, Department of Energy and Climate Change (Baroness Verma) (Con):** My Lords, Her Majesty's Government have made it clear to energy providers that it is vital that the benefits of plunging oil prices are passed on

quickly to consumers. In addition, we are well on the way to giving 17 of the most rural areas on the UK mainland a 5p per litre fuel duty rebate. The Scottish islands and the Isles of Scilly are already benefiting from this rebate. We continue to monitor price movements closely.

**The Earl of Courtown (Con):** My Lords, I thank the Minister for that reply. I was particularly glad to hear that the fuel rebate scheme is extended to remote areas of the UK. As my noble friend will be aware, though, the cost of travelling to work in rural areas—in places such as where I live in Gloucestershire—is 24% more than if you are travelling in urban areas. I was wondering if she would be able to extend this fuel rebate system so that it could cover areas such as where I live, where there are relatively higher fuel costs, which also affects people on lower incomes.

**Baroness Verma:** My noble friend is of course right to raise the issue of people living in rural areas. There are a number of factors that account for fuel price differences in rural areas. Often as not, the transport costs are higher and there are fewer competitors in rural areas. My noble friend is right to raise this, and we have spoken to energy companies to ensure that where they can pass on the price reductions they are doing so, so that no one is left out in benefiting from reduced pricing.

**Baroness Worthington (Lab):** My Lords, during this period of volatile fossil fuel prices, does the Minister agree that we need a real regulator, with real teeth? We should not have to resort to talking nicely to the companies. Is it not true that we should take Labour's example and bring in a regulator with real teeth, extending its remit to cover all heating fuels, including oil delivered in rural areas?

**Baroness Verma:** My Lords, the noble Baroness's party had an opportunity for 13 years to change the regulator but did not. We believe that the regulator has been given enough powers to ensure that energy companies are performing and passing on savings. This Government have brought in greater competition. We believe that competition is what will drive down prices. Today we see 20 independent companies competing with the big six—which, of course, was a creation of the party opposite.

**Lord Howell of Guildford (Con):** My Lords, as and when energy and heating bills and so on do fall, because of far lower crude oil and gas prices, will my noble friend reject the idea that additional taxes, charges and green levies should be piled on to push the price up again?

**Baroness Verma:** My Lords, my noble friend is right to say that we need to look at the impact of all policies, and that is what this Government have done. They have carefully looked at, and responded to, any negative impact of our policies. However, if we are to ensure that we move towards a cleaner environment, then some of those policies have to be met.

**The Lord Bishop of Leicester:** My Lords, will the Minister tell us what Her Majesty's Government are doing to ensure that those on low incomes and living in the coldest homes are able to benefit from renewable heating technologies?

**Baroness Verma:** I am grateful to the right reverend Prelate for his question, because this Government have, through many measures, not only tried to respond to people living in very inefficient homes in urban areas, but also looked at how to reach out to people who are often off grid and help support them through the renewable heat incentive and other measures. I am very happy to write to the right reverend Prelate about a number of measures undertaken by this Government.

**Lord Teverson (LD):** My Lords, there is numerically less fuel poverty in rural areas than in urban ones, but it is a deeper and greater problem in rural areas because of solid walls and reliance on oil rather than gas. Does the Minister agree with me that we should once more consider, as part of our infrastructure, extending the gas grid into more of those rural towns and areas so that the gap between urban and rural fuel prices can be squeezed back down again?

**Baroness Verma:** Yes, and that is why this Government have undertaken a massive infrastructure programme to ensure that, where we can, and where companies are trying to ensure that all consumers benefit from on-grid electricity and gas, we can reach them. However, these are commercial decisions for companies and they need to be able to operate commercially to their own advantage, just as the Government have to create the environment in which those companies can operate. This Government have very much taken on board that 20% of our energy source is coming off by 2020 and we have done an awful lot to meet the gap that the previous Government failed to fill.

**Lord Kinnoch (Lab):** My Lords, on a related question, in view of the fall in oil prices that is taking place, is it not clear that since the revenues from North Sea oil are anticipated to be half of what was assumed as recently as last year, the economic policies of the Scottish National Party are completely devoid of any credibility whatsoever?

**Baroness Verma:** Yes.

**Baroness Miller of Chilthorne Domer (LD):** My Lords, one thing that rural areas have plenty of is agricultural waste. Could the Minister say a little more about the role that anaerobic digesters can play, because oil prices might surely go up again, but agricultural waste will continue?

**Baroness Verma:** My noble friend is absolutely right. That is why this Government have pursued measures that provide a diverse range of supply, and anaerobic digesters play a very important part in that supply mix.

## Northern Ireland Question

11.29 am

Asked by **Lord Lexden**

To ask Her Majesty's Government how they have fulfilled their commitment in *The Coalition: our programme for government* to "work to bring Northern Ireland back into the mainstream of UK politics".

**The Parliamentary Under-Secretary of State, Wales Office (Baroness Randerson) (LD):** My Lords, this Government have worked hard to ensure that Northern Ireland is fully involved in United Kingdom affairs and that UK policy fully reflects Northern Ireland interests. Therefore, when it fell to the UK to host the G8 summit, we chose Fermanagh. The economic pact with the Northern Ireland Executive, the Stormont House agreement, the accompanying financial package and the corporation tax legislation all demonstrate our commitment to rebalance the Northern Ireland economy and promote peace, stability and prosperity.

**Lord Lexden (Con):** I thank my noble friend very much. Can she give an absolute assurance to the House that the Government will continue to stand robustly by their commitment to bring Northern Ireland into the mainstream of UK politics? What are they doing to ensure that their devolution of further powers to the Northern Ireland Assembly does not take the Province away from the mainstream, in breach of their commitment? Finally, has any progress been made on an issue that has been of grave concern to the House—namely, the need for action to ensure that the National Crime Agency can carry out its work more fully in the Province?

**Baroness Randerson:** I assure noble Lords and my noble friend that the Government stand four-square behind the commitment made in the coalition agreement. Of course, devolution has to work very much within the interests of Northern Ireland—that is the point of it—but it is very possible to see a very close link between our politics and that that is developing within Northern Ireland. On the National Crime Agency, some very promising discussions are under way between the Justice Minister, members of the SDLP and the Home Secretary on these matters, and there is optimism that real progress is being made. I urge all involved to work towards a successful conclusion on this because it is important that NCA services are provided in full throughout Northern Ireland, which is not getting the full benefit of protection.

**Lord Maginnis of Drumglass (Ind UU):** My Lords, can the noble Baroness explain why the Secretary of State for Northern Ireland, who claims to be a unionist, has colluded with the Irish Government on strand 1 issues? Is it not illogical that the Prime Minister, who allegedly wants less interference in UK affairs by Brussels, seems happy to concede to Dublin a greater role in the internal affairs of my part of the United Kingdom?

**Baroness Randerson:** In accordance with the Belfast agreement there is a role for the Dublin Government in strand 2 and strand 3 issues, and that was the way in which the recent Stormont House talks were conducted.

**Lord Alderdice (LD):** My Lords, coming from Wales, my noble friend will know very well that there is quite a difficult balance between the devolved regions on the one hand having their own say and taking their own responsibility, and on the other having a proper relationship with Westminster and London. However, is she aware that, despite these difficulties, the Office of the First Minister and Deputy First Minister in Northern Ireland has complained that it is easier for them to get a meeting with President Obama than with our Prime Minister? Will she convey to the Prime Minister's Office that that is not the best way to show a full engagement with the rest of the United Kingdom?

**Baroness Randerson:** I am sure that the Prime Minister's Office will take note of my noble friend's comments. However, it is absolutely clear that the Prime Minister was fully engaged in the Stormont House process and went to Northern Ireland to push the process along; indeed, a successful conclusion was reached very soon after that visit. I therefore reject the idea that the Prime Minister has not been engaged.

**Lord McAvoy (Lab):** My Lords, will the Minister accept that the best form of integration is economic and social integration? Child poverty in Northern Ireland is set to rise, and the Joseph Rowntree Foundation has found that Northern Ireland's labour market and poverty rates have deteriorated over the past five years. Inequality and intergenerational deprivation is corrosive in any society, but in Northern Ireland it becomes an environment to exploit people's fears. The Labour Party has established the Heenan-Anderson Independent Commission, which is a ground-breaking attempt to tackle inequality in Northern Ireland and make recommendations to the next Labour Government. Can the Minister outline what specific economic measures have been brought in by the Government to help conditions in Northern Ireland?

**Baroness Randerson:** My Lords, Northern Ireland has been subject to the same attempts at economic stimulus that the UK Government have made throughout the land. It is important to bear in mind that in addition to the strenuous efforts that we have made to deal with the particularly strong problems in Northern Ireland, we have, for example, ensured that the G8 summit, the Giro d'Italia and the World Police and Fire Games were held there. There has of course been a very generous financial package of nearly £2 billion as part of the recent Stormont House agreement. That should set Northern Ireland on the step towards recovery, but it remains important that a peaceful society develops there because the Troubles caused so much economic poverty.

**Lord Bew (CB):** My Lords, at the heart of the question of equal citizenship throughout the United Kingdom is the question of freedom of expression. The Minister will be aware that in this Parliament we have passed a reform of our libel law enhancing freedom

of expression in the rest of the United Kingdom, but not in Northern Ireland. This is indeed a matter for the Northern Ireland Assembly, but will she take this opportunity to remind the House that the Government's view is that it is desirable to have the maximum possible freedom of expression, as embodied in that recent reform?

**Baroness Randerson:** My Lords, the Government greatly regret the fact that that law has not been introduced in Northern Ireland, and urge those in the Assembly to work on this so that it can be.

**Lord Dykes (LD):** Does my noble friend agree that one disturbing fact about Northern Ireland is that it is the single most heavily subsidised small area in the whole of the European Union, even including some of the new member states from 2004? What do the Government intend to do about this, to redress the balance and make Northern Ireland more competitive?

**Baroness Randerson:** My Lords, the Government share my noble friend's concern about the level of subsidy that has been necessary. The public sector, for example, constitutes around 30% of the economy in Northern Ireland, whereas it constitutes around 20% elsewhere. Therefore we have made strenuous efforts to encourage inward investment in Northern Ireland, and we hope that the corporation tax legislation will be a key issue in making Northern Ireland more competitive.

## Business of the House

### *Timing of Debates*

11.37 am

Moved by **Baroness Stowell of Beeston**

That the debates on the motions in the names of Baroness Wheatcroft and Baroness Perry of Southwark set down for today shall each be limited to 2½ hours.

*Motion agreed.*

## Procedure Committee

### *Motion to Agree*

11.37 am

Moved by **The Chairman of Committees**

That the 4th Report from the Select Committee (Amendments to legislative procedures) (HL Paper 95) be agreed to.

**The Chairman of Committees (Lord Sewel):** My Lords, in moving the Motion, may I draw the House's attention to the continued reforming zeal of the Procedure Committee?

*Motion agreed.*

## Exports: Government Support

### *Motion to Take Note*

11.38 am

Moved by **Baroness Wheatcroft**

That this House takes note of the Government's support for British exports.

**Baroness Wheatcroft (Con):** My Lords, I am delighted to be opening this debate on such an important subject. We all know that exporting is good for the country and I hope that we will all be able to agree that the Government are making great strides in getting their act together to help British companies boost their overseas sales. My noble friend Lord Livingston, who will reply to the debate, has had an impressive business career before joining this House and taking on the role of Minister of State for Trade and Investment. I know that he is working tirelessly to ensure that British businesses flourish in world markets.

I am sure that today we will hear a lot of statistics—I will be guilty of coming out with some myself—but I want to begin not with numbers but with a true story of what the Government can, and do, do to support British exporters. Stage One is a company which started life in Tockwith, near York. It is a company which can do extraordinary things. It made the amazing cauldron that was the centrepiece of the UK Olympics and produced some of the most exciting elements in the Sochi Olympics. This is obviously no shrinking violet in the business world. Nevertheless, it felt that it needed support in venturing overseas and is very pleased with the export services and the help that they have provided.

Stage One was invited to join the Creative Industries High Value Opportunity Task Force, a collection of the UK's top 100 creative businesses. The Government believe that these companies can represent the creative businesses that are flourishing in this country and win big contracts overseas. Stage One's performance director, Alan Ellis, says that in his business, and surely in any business:

"It is critical to get in front of the right people at the right time. And this is where UKTI really excels".

Those are his words, not mine.

UKTI trade advisers introduced the company to opportunities in Hong Kong and Macao. It had not contemplated venturing that far afield. They helped the company plan visits and provided £3,000 to help with funding. A UKTI trade mission in February last year enabled the company to build on the contacts it made on its first visit. Membership of the task force has enabled the company to form alliances with businesses it had never met before. That enables them to go together to prospective clients and make an overall business proposition, which to big clients is much more impressive. Stage One now says:

"Working with UKTI is a key part of our strategy over the next five years".

One story does not make an export boom, but Stage One's experience is not unusual. Even the CBI, not renowned for lavishing praise on government schemes, voices enthusiasm for the way that the export promotion services are working.

The Government have been clear about their export ambitions. Shortly after he became Prime Minister, David Cameron boarded a flight to India to reignite that special relationship. In his 2012 Budget, the Chancellor of the Exchequer set out his aim that UK exports would hit £1 trillion by 2020. That was, indeed, a big ambition. No doubt we will hear one or two people say that it was perhaps too big an ambition and

we are not likely to get there. I have not given up hope yet, and I do not suppose that the Chancellor has, but we should look at the economic background with which our exporters are grappling. While our Government are working to support business by strengthening the economy, who would have foreseen that other Governments might be rather less responsible, and that our major trading partner in the European Union would find itself in dire disarray? Many of us did fear exactly that, but it is still sad to see it come to pass. The plunging euro and the straitened circumstances of many European citizens mean that it is much harder for us, with our stronger pound, to sell our goods to them.

For several decades, we have relied too much on our relationship with our European neighbours and not ventured far enough afield. That was understandable given that the EU constituted the biggest marketplace in the world, but such reliance is dangerous, as we are now finding. We have to work harder to permeate deep into the emerging markets. Those who listened to the radio earlier this morning will have heard a Diageo spokesperson say just what scope there is in those emerging markets, with 1.43 billion members of the middle class likely to emerge over the next decade. Of course, Diageo hopes that they will all be alcoholics—sorry, I mean drinkers. We should have advantages in many of those markets and need to be careful to build on that rather than jeopardise it, an issue I will come back to.

Despite our great trading history, our failure to maximise our export potential has left us with a balance of trade deficit—that ominous trade gap. We like our German washing machines, our French cheeses and our cheap, throwaway textiles too much. The last full-year figures available for 2013 showed exports of £516 billion and imports of £550 billion. If we could bridge that trade gap, the benefit to the economy—and to all of us living here—would be remarkable. There is plenty of scope. Currently, under 3% of our exports go to China.

The problem is not new. By 2006, the current account deficit was more than 3% of GDP, putting us, in absolute terms, behind only two countries: the US and Spain. In 2000, the UK's share of world exports of goods was 4.4%, but by 2009 it had fallen to 2.8%. Our share of services exports is much healthier but even that has taken a bit of a jolt after the financial crash. Clearly, we need to get better at exporting.

The good news is that the Government are on the case. In 2011, that dynamic duo, William Hague and my noble friend Lord Green of Hurstpierpoint, were in charge at the Foreign and Commonwealth Office and UKTI, and together they launched *A Charter for Business*. It was a tacit acknowledgement that, while the Foreign Office has many strong points, it had not perhaps always been the greatest supporter of British business overseas. I would not argue that the charter produced an overnight change, but there have been huge improvements in how the Foreign Office and UKTI now work together for the benefit of British business. With a Foreign Secretary, Philip Hammond, who used to run his own business and my noble friend Lord Livingston heading UKTI, those improvements continue.

There were hiccups in getting the two organisations aligned. They had, of course, overlapping objectives, but their objectives can never be entirely the same; the FCO has to bear security in mind. But in autumn 2013, the National Audit Office examined our help for exporters. While it voiced some qualms, it had to report that 78% of those it surveyed—users of export services—felt that the FCO and UKTI were working together better to help exporters than they had in the past. The current chief executive of UKTI, Dominic Jerney, is well placed to continue these improvements, having been our ambassador in the United Arab Emirates before taking up his post. In an early interview, he suggested that the challenge for the Government went beyond the FCO and UKTI and that every government department should feel that part of its brief was to help British exporters—for example, the Department of Health with pharmaceutical companies and the Department for Transport with transport infrastructure developers. He intimated that more could be done on that front. Perhaps my noble friend could comment on that point when he makes his speech.

There are still qualms about the number of different schemes available to help exporters. Head to the UKTI website and, if you did not have an enormous amount of time on your hands, it might be quite difficult to decide where to go first. It lists:

“Passport to Export Service ... Gateway to Global Growth ... Medium-Sized Business Programme ... Trade show Access Programme ... Sell online with the UKTI e-Exporting programme ... Export Marketing Research Scheme ... Export Communications Review ... Overseas Market Introduction Service ... Aid Funded Business ... High Value Opportunities ... Market Visit Support ... Postgraduates for International Business”.

It is a little confusing, perhaps. There is an easy answer, and those who visit the website might find it:

“Talk To A UKTI Export Adviser”.

UKTI has gone out of its way to make sure that the middle-sized businesses that we need to thrive as exporters know about this. It has written directly to all those middle-sized companies that could do more on the export front. However, I suggest that not everybody knows that there is a UKTI export adviser ready and willing to help them. From what I have learnt from businesses, those who contact a UKTI export service adviser really do get help.

Perhaps they get some help to figure out exactly what we are exporting, because the statistics continue to puzzle me—I have voiced this qualm in this House previously. Her Majesty’s Revenue and Customs breaks down exports into a huge number of categories, but to a modern person looking at the list, it could be confusing. For instance, category 42 encompasses:

“Articles of leather; Saddlery and Harness; Travel goods, Handbags and similar containers; Articles of animal gut (other than silkworm gut)”.

I think that there are large differences between a bit of saddlery, let alone some gut, and the sort of handbags that fetch premium prices these days. I wonder whether our statistics are missing a trick in not breaking things down a bit more. That view is reinforced when I get to category 44:

“Wood and articles of wood; Wood charcoal”.

I think that David Linley would contend that there is a huge difference between the wooden objects that he sells and wood charcoal. Category 61 comprises:

“Articles of apparel and clothing accessories, knitted or crocheted”.

The fascination with crochet is something about HMRC that has long puzzled me and I remain somewhat confused. Then we get to category 96, which I feel will not help many exporters in working out where their market should be:

“Miscellaneous manufactured articles”.

I am sure that there is a big market for miscellaneous manufactured articles, but I would be hard pressed to tell you what it was. One of the keys to successful exporting is research and knowing your market. I just wonder whether we could be doing a bit more with our statistics to help those who are seeking to export. I wonder whether the Minister could address that.

Perhaps there is more, even now, that we could do in the way of incentives—I know that money is tight. The Food and Drink Federation, which represents one of our biggest export sectors, has looked at what rivals do and found that we come pretty low down the scale. For instance, there is help if you are French or German on a much more significant scale than we offer to attend trade shows. There are tax deductions for people who are working overseas for companies to promote business. There are lots of small financial incentives which might yield dividends which perhaps we could investigate doing a little more of.

Finally, I mentioned that I would come back to cultivating our old friends, particularly India—but China also comes into this category. I fear—and it is the rhetoric rather than fact—that we are disillusioning those countries because of our insistence on people coming to our universities and then going straight home. I know, as do your Lordships, that if such people achieve a job they can stay for two years, but that message has not got through to the Indian High Commission and to the people that it talks to. I fear that the same message is hitting China. We need to welcome people who could help our businesses to export.

11.53 am

**Lord Hunt of Chesterton (Lab):** My Lords, I welcome this debate, introduced by the noble Baroness, Lady Wheatcroft, who was a distinguished editor of *Wall Street Journal Europe*. It is an innovative if rather right-wing paper, but it kindly published some of my articles on environmental policy.

I liked the noble Baroness’s remarks, but they reminded me slightly of a rather irate Minister in this Government at some meeting getting more and more heated and saying, “Well, the UK just should be the corner shop of the world”. My vision is that it should be somewhat bigger. A bit of corner shopping is all very well, as the noble Baroness, Lady Wheatcroft, said, but there are some big issues. We should also remember her remark about the Prime Minister going to Asia. As noble Lords will recall, when the Prime Minister went to China the word “Boeing” was above his head as he came down the steps of the aircraft. He should have gone in an Airbus, like all the leaders of Europe do.

[LORD HUNT OF CHESTERTON]

I declare my interests as a director of a small, high-tech company. I had a much bigger role as head of the Met Office.

For the UK to increase its exports, which is vital for the economy, it requires collaboration between the Government, business and everyone who provides services to foreign customers, whether they are in the UK or abroad. The first job of government is not to make it more difficult for UK organisations to contribute to visible and invisible exports. A simple point that this Government have forgotten, of which Indian universities reminded the Prime Minister when he visited India, and as the noble Baroness, Lady Wheatcroft, just emphasised, is that enabling foreign students to come to the UK is a very important invisible export. It is also important for them to be able to work in the UK. I am glad that there are now schemes for that to happen, but they are not widely known. When one goes around the world and meets students, they say that they will not come to the UK to study because it is so difficult to get a job afterwards.

The Government's second own goal that I would like to point out was in the *Daily Telegraph*—not my usual reading—in “Business Club”, which is even less so. It had an interesting online article yesterday on the uncertainty about the UK leaving the EU, which is damaging invisible and visible exports. The article says that that is making it more difficult for UK businesses to get contracts in Europe. This uncertainty also inhibits some inward manufacturing investment and is driving some businesses abroad.

What is extraordinary about this threat to leave Europe is that UK business and government will be much less able to influence the EU's setting of technical standards of saleable products. I read the *New York Times* from time to time; these EU standards are regarded as the world standards and affect business the world over. If the UK is not to be in the EU but be like Switzerland or Norway, it would simply have to receive the standards that are set by committees and other countries in Europe. Doubtless helping UK business would not be first in their mind.

The UK science and technology sector has developed standards from its great experience. I have worked with EU institutions; they help European business. In future, the UK will be less able to have this influence. In the 1980s I helped set up a European network called Ercoftac—a rather funny name—to enable universities and industries to work in the aerospace and automobile sector. The way we have managed to get standards, data and test cases for industry is the envy of the world. Of course, we will still be able to participate if we leave the EU, but the way that this kind of network will be able to work with British industry will be diminished.

The previous Labour Government and this Government have introduced, through BIS, some new, greater support for science and technology, which contributes to UK exports. I endorse many of the remarks made by the noble Baroness, Lady Wheatcroft, on that. For example, last week I learned about the Satellite Applications Catapult, which provides extraordinary business opportunities. It is not just about business; being effective in business enables the

provision of more information about health and well-being for communities around the world. We are talking about using business as an efficient method of providing services.

The difficulty facing the building up of UK exports is that many of the major world-leading high-tech companies are no longer here in the UK. This is something that happened over 20 or 30 years, but it was gratifying that one of our major high-tech companies, AstraZeneca, was not taken over by the United States company Pfizer. In fact, one might note that, despite the City of London gagging at the possibility of more M&A scavenging, that company is here thanks to our continental colleagues who are on the board of that company. As a result of those takeovers, large companies from Germany, the United States and Japan are operating in the UK, but their R&D is often done abroad. This has had an effect on UK employees. For example, there are fewer engineers in some big electrical companies in the UK than in their home countries.

This Government have done better than the Labour Government in improving manufacturing industry. That is to be welcomed. This has led to substantial imports, such as offshore wind and nuclear plant; we did not have this capacity before. The question is whether UK manufacturers can build themselves up so as to reduce the UK's sizeable and growing balance of payments deficit. I look forward to hearing from the Minister on this point.

Of course, even the most successful countries import technology. It should be obvious that the UK needs to do that because we provide 8% of the world's science, while 92% is abroad. I am pleased to see that BIS is now following the practice, well established in the United States, of employing staff to import commercial innovations. In the past I have been critical of the fact that there was no strong element of technical work on that area within BIS, but I believe that it is growing. For example, there was an advertising session at the London Olympics to bring foreign companies from abroad to demonstrate what they were doing. An Italian environmental company using social media came and we hope that it will be working in the UK.

Many small UK businesses complain about the lack of support that they receive from the UK Government, compared with that provided to competitor businesses by foreign Governments. Some British businessmen are quite demoralised by the unfairness of this competition. In principle, everybody should play cricket and follow the level playing field approach of the UK. However, this is not the case. Despite its propaganda about free and open competition, the United States is one of worst offenders in the way in which it restricts the import of foreign software and spends vast sums on technological support at its embassies. I have seen this in Beijing and in other countries. They are overtly using their technical knowledge to advise and support American consultancies and technologies.

Other European countries use their financial assistance to developing countries to promote their own basic exports. There is an article in a newspaper today about how this is happening through World Bank programmes. One hopes that high-tech companies in the UK may benefit from the Newton programme, introduced by

the Prime Minister when he went to China. This should make some contribution, although I suspect that it is more about science and technology than about business.

Many business commentators have noted that one of the most effective ways in which the UK Government can help business is via the Government's whole or partial ownership of exporting organisations. This started, of course, with Rolls-Royce. The Government rescued it from bankruptcy back in the glorious days of Ted Heath. It obtained City funding but the Government retained their golden share, so Rolls-Royce is still here. If that had not happened, one wonders whether it would still be here.

Recently, we have read ominous remarks in the newspapers about Rolls-Royce. Although it has been remarkably successful with its aerospace engines selling to about half the global wide jet market, typically, the moment there is the whiff of a problem, the City pages slaver at the possibility of more M&A scavengers breaking it up. I hope that the Minister will clarify the position. Rolls-Royce is still a top, world company and should have all the support that the Government can provide.

Many government agencies were set up as quasi-commercial organisations. It began under the Wilson Labour Government and continued strongly with the Thatcher Government. Such organisations have worked at the highest technological and commercial level and have greatly helped UK exports. As the noble Baroness, Lady Wheatcroft, said, more could be done to support British companies in overseas markets. The underfunded National Health Service is another example.

**Baroness Williams of Trafford (Con):** My Lords, this is a time-limited debate. Speeches are limited to nine minutes. When the clock says nine, it means that noble Lords are into their 10th minute. Therefore, when the clock says 10, they are into their 11th minute. I would remind noble Lords to give the Minister sufficient time to respond.

12.04 pm

**Lord Lang of Monkton (Con):** My Lords, I begin by declaring my business interests as per the *Register of Lords' Interests* in case any of them should be thought relevant. I thank my noble friend Lady Wheatcroft and congratulate her not only on securing this very important debate but on opening the debate in such an effective and informative manner.

I believe that exports are a very important component of our economic performance. The environment for them to expand and grow is beneficial because the economy itself overall is performing so well at present, with growth in the last year of 2.7%—the highest in the G7. How different that is from the eurozone, which of course accounts for half our exports and creates certain headwinds for us.

It is notable that volumes of imports and exports tend to move broadly in tandem, with imports apparently exceeding exports by quite a margin. Our deficit in goods is long established and well recognised, but the substantial surplus in our services sector, which accounts for a far higher proportion of GDP, is less well known

and is indeed potentially more important in the longer term. There, we face headwinds from the EU not just because of its poorer economic performance but because of the kind of regulations that threaten to impede the success of our financial sector in developing further there.

Overall, the last three months of 2014 produced a good trend, with exports up by £2 billion and the deficit in goods down by £2.5 billion. However, I know that one should not read too much into short-term figures. When we think of exports, we should remember that quite a proportion of our imports consists of components and commodities that subsequently find their way into exports and are re-exported. So, again, the picture is never quite as simple and straightforward as it sometimes appears, and that is one of several factors that impinge on our debate today.

We should not think of exports as a separate world detached from the overall economy; they are part and parcel of our overall economic activities. Exchange rates have an important effect. At present, there is almost a currency war going on in some countries, with attempts to help their own export performance by manipulating their rates down. That is not a sensible policy. Currencies have minds of their own, and estimates of what can and cannot be done can be very sadly mistaken.

During the last few years, the pound has risen against a basket of currencies and is now trading up against the euro, increasing the problems that we have in exporting into flat economies. However, the pound is falling against the dollar. The dollar is an interesting case because overall it has risen by 20% against all currencies since May this year. That creates exporting problems for the US but its productivity record, by contrast, is unrivalled, and the US consumer confidence index is at its highest for seven years. That confidence and that exchange rate create major opportunities for us. The US market is our largest single export market, worth £40 billion a year. The dollar exchange rate also helps the UK in the matter of repatriation of profits, although it is obviously less good for the United States, with those from the US going the other way. It is perhaps not very widely known that United Kingdom companies have huge investments in the United States—even larger, it is sometimes said, than those of US companies over here. That benefits our balance of payments and points to the fact that overseas investment, whether inward or outward, has an important role to play in exporting.

To give one very obvious example, from the inward investment wins by the United Kingdom of recent years, from overseas missions, car manufacturers have come here—Nissan, to name but one. Cars are now among our biggest export commodity: hundreds of thousands of cars leave our shores every year, mainly to Europe, where, despite the economic slow-down, sales continue to hold up. So it makes sense to handle, as UKTI does, inward investment and overseas trade within the same body.

I mentioned productivity in the context of the United States, and that is another factor vital to exporting success. In turn, it relies on business investment. With the revised and highly encouraging recent business

[LORD LANG OF MONKTON]

investment figures now comes a clear improvement in manufacturing productivity—up more than 5% in the last year. It is not enough after years of being in the doldrums but it is an important start. The Government's unprecedented development of apprenticeship schemes should also feed into further gains in both productivity and indeed manufacturing employment in due course.

I hope that my noble friend will say a word later, in winding up the debate, about the progress, if any, on international free trade negotiations. There are still too many obstacles, overt and hidden, to unrestricted trade within the EU as well as globally. With Doha seeming to fade into history, one cannot but reflect that almost 20 years ago this country was pushing hard for progress on free trade. To be briefly autobiographical, I attended the World Trade Organization annual get-together in Singapore when the momentum seemed to be really taking off. On returning, my department launched a campaign with a target of global free trade by 2020—"2020 vision", we imaginatively called it. It seemed almost attainable then, but sadly one has to admit that it looks less attainable now. When I asked the Trade Minister in the incoming Labour Government a year or two later in this House about how the 2020 vision was progressing, it was plain from what he said that he had never heard of it. That is unfortunate because momentum and perseverance are vital if one is to secure new markets and develop them.

I welcome the Government's continuing commitment to UKTI as a way of encouraging and helping our exporters and traders in overseas markets, boosting trade opportunities—particularly for small and medium-sized businesses, to which my noble friend Lady Wheatcroft referred—and helping to identify particular high-value opportunities globally. The budget increase this year to £70 million is being well focused and that, too, is something that we should welcome—concentrating on high-value opportunities and on the emerging markets. I have always had a paternal feeling towards UKTI because it flows from a joint initiative that my right honourable friend Sir Malcolm Rifkind and I developed—he as Foreign Secretary and I as Trade and Industry Secretary—in about 1995 or 1996, when we published a White Paper on combining the resources of the DTI and the Foreign Office on these matters. It was based on something that I had already initiated in the Scottish Office, combining inward investment and trading activities. Since then, UK exports have doubled, despite the serious decline in our manufacturing base, which is good. However, globally, exports from countries around the world have trebled so there is no room at all for complacency—quite the reverse.

I noted that the Public Accounts Committee in another place a couple of years ago urged UKTI and the Foreign Office to examine the reasons behind that difference in success. It also made a number of other useful recommendations, and perhaps my noble friend will have an opportunity to update us on the response to those. Analysis, focus and follow-through are all important in exporting. So, for exporters, is persistence and indeed courage, particularly for SMEs, because exporting is a risky business. It is a lonely business and

they need the kind of help that is now being put in their direction. I sometimes think that our embassies around the world are not taken sufficient advantage of. There are people there who are skilled, committed and only too willing to help people on the ground. I have personal experience of that.

Conditions at home are favourable: low inflation, low interest rates, high employment, expanding apprenticeships, strong business confidence, low business taxes, focused assistance and advice from government. These are the many positive reasons—and there are more—for businesses, large and small, to broaden their ambitions into the global marketplace and for the Government and our embassies to continue to refine and promote assistance to exporters whenever they can.

12.14 pm

**Lord Stoneham of Droxford (LD):** My Lords, I am very pleased to speak in this debate, initiated by my friend and colleague, the noble Baroness, Lady Wheatcroft. She has initiated several debates on business subjects in the past couple of years while we have been in the House together, and I have been pleased to speak in a number of them.

The coalition Government are committed to rebalancing the economy. The aim is threefold: it is about reducing the deficit; ending our dependence on short-term, consumer-led growth based on excessive household credit; and, fundamentally, it is about strengthening our role as a trading nation and widening and diversifying our export base.

We have a lot to do. Looking back over the past decade, we see a situation in which import growth has outstripped export growth, so net trade has acted as a drag on UK growth. UK share of world goods and services has actually been declining. We have been underperforming in emerging markets and 50% of our trade is still based in the EU, which has been stagnant for most of the past five years. This perhaps emphasises why we have such a strong interest in getting that economy moving again alongside the British economy's movement.

The coalition has provided continuity in its industrial strategy. I was impressed when we had a debate on the industrial strategy a few months ago, by the agreement across all parties on the work that Vince Cable has been doing, based on the foundations left by his predecessors in the Labour Government. He has led a ministerial team that has largely been in place for five years. I pay particular tribute to David Willetts, who did so much in the university sector and on our skills-based economy. We have had a focus of support for exporters through improvements in the Foreign Office and UK Trade & Investment. Although I agree fundamentally that the leadership, intelligence and support that they give is essential, we must also realise that we are talking about only 2,000 people in those organisations who are specialising in this work. They cannot possibly do the scale of work that we need to improve our exports and our trade.

The coalition has also concentrated on providing extra finance and credit guarantees for exporters. We have the British Business Bank starting up and we are

trying to make the UK a really good place to do business, through a competitive tax regime, protection for patents, improving infrastructure and skills, and encouraging inward investment—all things that a Government must do. I believe that there has been a strong partnership between industry and the public sector as well, which has helped improve relationships and improve work on the industrial strategy. However, to get successful export-based strategies we have to build fundamentally on solid competitive advantage and it takes time to show results.

In my career, I have been involved in transforming companies. In my view, one could improve the figures in one to two years, but to get genuine transformation took five to seven years as a minimum and to do this across an economy, as we have to do in our export sector, will take 10 to 20 years. We can learn the lessons of some of our success stories. The noble Lord, Lord Lang, talked about the automobile industry. I worked on the fringes of that sector in the 1970s and I would not have touched it with a barge-pole as a career in management. It was a complete nightmare. However, we went through the 1980s and 1990s and it has been transformed, largely because of foreign investment, through Nissan, Toyota and Honda, with foreign management techniques, and now with Range Rover and Jaguar, under foreign ownership, agreed, but building on the skills of the Midlands economy.

To sustain that competitive advantage has required huge investment in R&D and skills as technologies in that sector are being transformed. Fortunately, we also have the entrepreneurial base of the Formula 1 competitors, all based in this country, as an example to spur us on. The combination of university knowledge, the catapult centres and inherent engineering skills, combining manufacturing with knowledge of computerised systems, which is the future of motor technology, are all important now for the future of that industry. A major part of that recovery has been based on the fact that we are a member of the European Union.

Moving on to the aerospace manufacturing sector, in 1995 20% of passenger aircraft were made by European manufacturers. The rest were made in the USA. Today 50% are made in Europe, principally by Airbus, and we have 10,000 direct employees of Airbus in the UK, with 100,000 employed by suppliers. That has happened because we have concentrated on a high-skilled, high value-added, huge R&D, with government financing and support to make that happen through the Airbus company and the suppliers in the UK that are part of that very successful operation.

What do the Government have to do to help exports? They might just start on import substitution because if we can improve the supply content in some of those manufacturing and services sectors that are already successful in the export sector, we will reduce our import content. There is a big initiative in the car industry where, until recently, 60% to 70% of the components came from abroad. We have to improve on that.

We could do more in public procurement and we are beginning to get on to that. It takes time but we have seen the problem we had earlier in the Government

with the rolling stock in the railway industry and the missed opportunity to improve domestic manufacture. We are now beginning to get on top of that.

We must also give huge encouragement to R&D. I mentioned earlier that where we have been successful is where we have concentrated on competitive advantage. We have to exploit that, particularly in the knowledge economy. R&D as a percentage of GDP in this country is half that of the USA, Germany or France. R&D is too concentrated in too few sectors. Six out of 33 business sectors provide the majority of our R&D in this country; 25% of that is in pharmaceuticals and 50% is done by foreign-owned companies. The best performers—and this is the secret to it—are pharmaceuticals, aerospace and automobile manufacture. Interestingly, these are the places where we are most successful in exports. A very prominent scientist told me recently that R&D expenditure in Volkswagen was more than the whole UK science budget. That probably is the underlying reason that it is so successful in that market.

We have to maintain an international trading outlook. We have to have stability in our exchange rate. We have advantages of geography and language but sometimes we are too complacent. We must resist the island mentality in our economy. Future membership of the EU is tremendously important. By all means, let us seek reform but we must end the uncertainty and retain a firm commitment to our place in Europe in the years ahead.

12.22 pm

**Lord Cope of Berkeley (Con):** My Lords, I, too, am grateful to my noble friend Lady Wheatcroft, both for this debate and for her speech.

Some colleagues and I worked hard a couple of years ago on the Select Committee on SMEs to look into the assistance that the Government were giving for SMEs to export. Of course, your Lordships' House debated that report; indeed, it has done so a couple of times. It is a crude summary of our report to say that we were favourably impressed by the progress of UKTI but were more concerned about the financial assistance available. Since we did that work, there have been very positive signs of improvement in both aspects, largely along the lines that we hoped for.

It is always difficult to be precise about the scale of exports by SMEs or the number of companies involved, but we all know that we need SMEs to export more. That is indeed a large part of the efforts of UKTI. It does a very good job in that respect. But the problems of exporting for SMEs include difficulties of local knowledge of one's potential market. This includes languages and customs, as well as knowing what goods they want to buy. In a recent survey, for example, the habit of late payment in many markets came out as one of the problems. We have discussed late payments in the UK in recent debates on the small business Bill, for instance, but of course no Act of Parliament can help with overseas markets where there are very long payment periods. The first thing is knowing where the opportunities lie for one's particular business. The UKTI and, particularly these days, the overseas posts of the FCO, have much improved their work in identifying

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opportunities and introducing UK companies to potential customers. All companies, including SMEs, benefit from improved services available in that way.

As my noble friend Lord Lang said, a strong pound is a problem for exporters where price is an issue—as it so often is. We all know about the troubles of the euro. It is not only the rate of exchange that is the problem, it is also the uncertainty involved when making plans. That applies in other fields. The suddenness of the drop in oil prices made it a mixed blessing. Of course, we all like lower petrol and diesel prices, but if you are supplying the oil and gas industries—particularly in exploration and development—that is a problem.

As for uncertainty, I read that some prudent airlines bought large quantities of fuel forward before the oil price dropped, and now find themselves facing severe price competition from apparently less prudent airlines, which did not buy forward.

The UKTI and Ministers, from the Prime Minister downwards, have been working hard at trade missions and boosting our exports in all sorts of ways—particularly my noble friend who will reply to the debate. We have already been reminded of the PM's visit to India. He took with him 100 companies, including 30 SMEs. Similarly, many went to China. China is a very important market, and UK exports there are at a record level and have more than doubled, I believe, since 2009, growing faster than France and Germany—although obviously they have done better than us in the past.

That reflects the emphasis that there has been on newly emerging markets, which is clearly very important to counteract the eurozone's problems. When we were doing our work, there was much emphasis on the BRICs—Brazil, Russia, India and China. Russia is now on the—how should I put it?—"more difficult" list. On the other hand, to South Korea, for example, with a new trade agreement in 2013, exports are showing 82% growth. Perhaps we should talk not about BRICs but about BICSKs.

The next big trade deal is of course the Transatlantic Trade and Investment Partnership. Perhaps my noble friend can give us an update on progress on that.

Returning briefly to export finance, since we reported, I am glad to say that there has been a lot more progress from the Government's point of view. I am told that we have doubled direct lending for small business exports to £3 billion. UK Export Finance—better known to some of us as the ECGD—has been able to expand its services, but it needs to grow faster. The banks are criticised but, as we pointed out, there are hundreds of banks in the UK, not just the handful of clearers whose names are well known. There are also other providers of finance to draw on. The current small business Bill is intended to make it easier for SMEs to draw on that.

My noble friend Lord Lang and the noble Lord, Lord Stoneham, spoke of the car industry. I find it interesting that British luxury cars, such as Rolls-Royce and Bentley, are selling fantastically well in China and the USA. Both of them are made here, despite their companies being German-owned. It is difficult to think of a better tribute to British engineering and design.

In all this talk about what the Government are doing, one good thing is that they are working with various other organisations which exist in the private sector. Let us not forget the work done by the chambers of commerce or by the sectoral organisations for specific industries or parts of the world, such as the task force on the creative industries, mentioned by my noble friend Lady Wheatcroft. Many businesses are more inclined to go to this sort of organisation than to expect help from government but they should not be. They are wrong to do that these days because UKTI and the FCO are much more focused on practical help than they used to be.

The Government's new trade ambassadors are opening opportunities, too. They are all appointed from among people experienced in business and knowledgeable about the countries that they cover. Some of course are Members of your Lordships' House and across parties, including my noble friend Lord Risby, who I hope is about to tell us about it. They seem to have excellent backing from the FCO and UKTI. All this helps SMEs to overcome the problems of lack of local knowledge and contacts, which feature so high on the list of factors which inhibit SME exports. The Government are working hard and imaginatively on building the UK's export performance, but we need that. We have always lived by trade and we still do.

12.31 pm

**Lord Risby (Con):** My Lords, it is a great pleasure to follow my noble friend Lord Cope, who has always been such an admirable advocate for small businesses over so many years. I also warmly congratulate my noble friend Lady Wheatcroft, who introduced this debate so effectively.

Our trade surplus, or more likely our deficit, has historically affected the fortunes of Governments from time to time. Happily, this is not the case today. Nevertheless, we have struggled to enjoy the export success of others over the years. The financial crisis that we suffered has been a real wake-up call. We as a country were particularly hard hit, but what the crisis told us loud and clear is that financial services had become disproportionately important as an engine for growth in our overall economic landscape, yielding substantial tax revenues which then vanished, with all the adverse consequences for us. What we suffered in the financial crisis left its mark on all of us in public life and in consequence, rebalancing and reorienting the economy has taken on a fresh and vital significance.

In fairness, successive Prime Ministers have for many years sought to promote exports and, more latterly, enormous efforts have been made to encourage exporting and finding new markets. However, by any objective standards, the personal role in this of this Prime Minister has been remarkable—as have the efforts of other senior Ministers, most notably the Chancellor of the Exchequer. Politicians are often criticised for having insufficient knowledge of the real world but we have been hugely fortunate with two exceptional Ministers in this House who have restructured and spearheaded UKTI to promote this export effort, based upon an incomparable personal understanding of how the private sector works, namely my noble friends Lord Green and Lord Livingston.

Regrettably, the performance of the eurozone economy has been anaemic. If we were to look at our top 10 markets, the USA would lead the way but if we take out China and the UAE, the seven remaining export destinations are all in the eurozone, which still accounts for nearly half of our exports. In December, UKTI published its *2020 Export Drive*, focusing on new sector and country opportunities. It has the objectives of doubling our exports by 2020, embracing a series of key tasks to help our exporters, and building on the immense success that we are seeing in sectors as diverse as car and food production, both of which offer products of the highest quality and are brilliant success stories.

In 2013, I was appointed as one of the Prime Minister's trade envoys; a cross-party group of 14 from both Houses of Parliament, most of us with private sector experience. I have therefore seen at first hand the high levels of professionalism and support which UKTI now offers. In recent years there has been a considerable change and the Department for Business, Innovation and Skills now works very closely with the Foreign and Commonwealth Office to promote exports and attract inward investment. There certainly was a time when some of our diplomats may not have endorsed this part of their role; now it is the reverse. I pay unreserved tribute to the two ambassadors I have worked with in my role in Algeria and to the UKTI support there. All my trade envoy colleagues would express the same sentiments. As it happens, we have increased business in Algeria, but other trade envoy colleagues cover areas as diverse as South Africa, Vietnam, Indonesia, Tanzania and Mexico. These are countries with which, in the past, we have had either insubstantial or insufficient commercial contact but where new opportunities most certainly lie.

In Algeria, there is a massive \$280 billion social and infrastructure programme in place. Any day now, we will sign a double taxation agreement and finalise a hospital contract worth some \$1 billion. What has become a really important force in this new bilateral partnership is the most welcome and much enhanced role of UK Export Finance, which can offer guarantees in support of export projects. In Algeria alone, there is currently a capacity of some £1 billion to support such investments and this is truly transforming. Also, Ministers fully understand the importance of these new country relationships and I am most grateful to Foreign Office Ministers, from the Prime Minister downwards, who have made the time to go there and welcome their ministerial counterparts here. This is where the cultural and organisational change is clear, with BIS, the FCO, UKTI and UKEF working together in export promotion.

Despite the financial crisis, this country has the finest brains in the world engaged in insurance, banking, the law and accountancy and not only in the square mile. Our Stock Exchange, with its outreach programme, is very much part of this but I also acknowledge the positive role played by the City of London Corporation and the sheer energy and commitment of successive Lord Mayors—which I have seen myself—in promoting UK plc abroad. Our reputation and competence is enormously admired internationally. Our financial services and their ancillary activities are increasingly part of our export topography. It is said that we benefit from

our time-zone position, and we do. We are also in an open society and much has been done to encourage business start-ups which are so attractive to young people from many countries, as we see in Tech City, for example.

Additionally, we have something precious that the world really wants: the English language. At the British Council's Hammamet conference in Tunisia last year—at which the noble Baroness, Lady Prashar, played a leading role—I learnt that the intense desire to learn English extends beyond Algeria to its neighbours. It is said there that this is a window on the world of modern business activity and technology, and it is. I applaud the British Council for responding so positively to this. Huge numbers of young foreign students and adults simply want to learn English. Training programmes for this for civil servants, teachers of English and others are now in place. So many want to study here and this cements irreplaceable personal relationships and contacts which are all, ultimately, in our business interest.

Recently, President Obama generously said of the British economy that we must be doing something right, but our export performance has insufficiently contributed to that perception. However, the structures, objectives and priorities have now been firmly put in place to change that. All of this is now well recognised by our business community and fully supported by the Government, as I have seen. As comprehensive new support and awareness strategies have been introduced, I am confident that our export performance will improve markedly in the years to come.

12.39 pm

**Lord Leigh of Hurley (Con):** My Lords, I thank my noble friend Lady Wheatcroft for instigating this debate. She is of course a well known commentator for the *Wall Street Journal*, an excellent publication, and business editor of the *Times*. I refer noble Lords to my various interests as declared in the register of interests.

Since new year's eve 1600, when the East India Company received its Royal Charter from Queen Elizabeth I, Britain has been a nation of exporters. At our zenith, Britain was responsible for half of all the world's trade. Since then, of course, we have had globalisation and the entry of a few competitors, so I would not see a return to those dizzy heights as a viable target. However, we can still aspire to see Britain's goods and services exported the world over. We are, after all, an island nation, necessarily open and outward looking.

It is not just for soft power and prestige that exports matter, though; they are of course vital for economic growth. With government spending rightly curtailed by the nightmarish inheritance that was the state of our public finances in 2010, and uncertain consumers paying down debt or increasing savings, exports have been and remain a key driver of growth in our successful economy. It is worth noting that in 2014 the UK had the fastest rate of growth of any major economy, thanks to the sterling work of the Government and the long-term economic plan.

I am pleased that the Government have recognised the importance of exports, with strong leadership matched by concrete measures to support business. As

[LORD LEIGH OF HURLEY]

my noble friend Lady Wheatcroft has said, the Government have set very bold targets of doubling UK exports to £1 trillion a year and getting 100,000 more UK companies exporting in that time. To achieve this, the Government must support businesses looking to access markets abroad by offering guidance, with networking opportunities at trade shows and other events, and of course with direct financial support. I join my noble friends Lord Risby and Lord Lang of Monkton in recognising the work done by the Foreign Office to make overseas trade a specific part of their mandate. As well as our ambassadorial consular services, businesses operating abroad will find unprecedented support awaiting them from our embassies and UKTI offices.

Unlike previous Administrations, this Government are proud of the exploits of our business leaders, which are so important. This Government are willing to put them in front and centre of our soft-power diplomacy. I have therefore been very pleased to see many British leaders accompany the Prime Minister on his trips abroad, which have been mentioned by both my noble friend Lord Cope and the noble Lord, Lord Hunt of Chesterton. In fact I was on that delegation to China, if that is the one that was being referred to—we did not go to Hong Kong—and I believe that the noble Lord, Lord Hunt, is correct that it was not an Airbus but a Boeing. I inquired as to the choice of transport, particularly the carrier, which was not British Airways, and was told that a tender had been put out and the most cost-effective plane had been selected in order to minimise the cost to UK taxpayers.

**Lord Hunt of Chesterton:** Is this a defence or an attack?

**Lord Leigh of Hurley:** I confess that one of the benefits of the delegation, as the noble Lord, Lord Cope, said, was that nearly all the delegates there were SMEs. Fortunately, it was not an Airbus, because a Boeing has the advantage, particularly on the carrier we were travelling with, of a bar in the centre of the plane. It was a memorable trip, as my noble friend Lord Livingston will recall, if only because virtually all the SMEs on the plane that had signed contracts while we were out there pushed themselves towards the bar in the middle of the flight, to the point where the pilot put on the seatbelt sign, even though there was no turbulence whatever, to get them all back again.

These delegations have a number of important missions, including helping medium-sized businesses that lack the brand value and value and network of their larger cousins but have growth potential if they can globalise their operations. The Prime Minister's personal commitment, as my noble friend Lord Risby has said, must be welcomed. It is worth commenting that he has visited 19 out of 20 of the G20 countries—Argentina, understandably, is on hold—and we have seen significant increases in the budget of UKTI, even at a time when many UK government departments have understandably had to cut back. Indeed, the recent spending review at the department for business for 2015-16 established a baseline increase of £70 million

a year, with a view to assisting 500 new medium-sized businesses annually. These measures show the priority status that exporters have been afforded under this Government. Whereas the previous Prime Minister led the world in accumulating the biggest budget deficit of any leading economy and discouraging business activity with higher rates of corporation tax, this Government have made the UK a leader in attracting global investment.

I see this in my personal and professional life, acting for SMEs in the UK. There has been a huge pick-up of interest from overseas, particularly from China. This approach is paying dividends in extending the reach of UK companies from domestic or European to truly global. For example, it is relatively easy and straightforward to export to Ireland: it is close and we speak the same language. The real challenge—but also the gain—is in trying to export to the BRIC countries and other emerging economies. In 2008, at £19 billion, the UK exported more than twice as much to Ireland as it did to China. Pleasingly, in the last quarter of 2013, for the first time ever, exports to China finally overtook those to Ireland. The Prime Minister said that he wanted more exports to the BRIC countries and UK business has responded.

This does not mean that the EU is not a very important market: of course it is. For example, it remains very important in my field of activity, financial services. Many international finance companies, from banks to funds to traders, set up in London to access the EU, but it is not perfect. Our success in truly globalising our export market should encourage us to demand some reform in Europe. This means completing the single market in all services. I commend our own commissioner, my noble friend Lord Hill, in his endeavours to deliver a capital markets union. This will help further with the export of UK financial services throughout Europe and bolster our competitive position in this field.

Despite the many advantages referred to of our membership of the EU, we must ensure that British exporters to the EU are not disadvantaged by EU regulation. I am thinking of the vote by the European Parliament Committee on the Internal Market and Consumer Protection to recognise further “EU safety tested” markings. These are yet another burden for manufacturing, particularly European manufacturing. Parochially, I know of one manufacturer who manufactured his product in full compliance with the relevant European standards—which in his case was EN1888—only to discover, when he tried to export his product to France, that the French unilaterally sought to apply their own particular safety standard, which was called an LNE. In the face of that protectionism in the French market, it was essentially impossible for him to export his product to France, despite complying with the EU regulation.

We need London to act as the trading capital of the BRICs and increase our exports to these fast-growing nations still further. With the help of the world's leading financial services industry, I am confident that we can do so. Closer to home, we need the UK to continue to lead Europe out of its comparative economic malaise and into competitiveness through increased

trade. Initiatives such as TTIP—the much hoped for trade agreement between the EU and the US—will be vital in achieving this. I believe that the UK will continue to act as a broker between the US and the EU in facilitating that. I therefore commend my noble friend Lady Wheatcroft for staging this debate today to highlight the importance of exports to the UK economy.

12.48 pm

**Lord Kirkwood of Kirkhope (LD):** My Lords, it is a pleasure to follow my noble friend Lord Leigh of Hurley. I am also pleased that this debate is happening at this time. The way in which it was introduced was excellent, and we are fortunate to have colleagues such as the noble Baroness, Lady Wheatcroft: her speech will repay careful study.

I want to acknowledge that we have made substantial progress in the United Kingdom in terms of extra growth in the recent past. It is therefore an appropriate time to continue the coalition Government's important attempts to improve the rebalancing of the United Kingdom economy. It might sound old-fashioned, but I want to support the increased support that manufacturing exporters need, particularly small and medium-sized enterprises.

I hope that in his wind-up the Minister will be able to reassure us that there will be an opportunity to help people rebalance away from increasing activity in the property, services and shopping fields, so that we can rely more on driving growth from exporting potential rather than the manufacturing industry having to rely on domestic demand, as in the past. It is 10% of our economic output, and it will be a hugely and increasingly important area of our economic activity in the future. I hope that we can get some additional support, particularly at this time, when a lot of manufacturers are at a disadvantage in the eurozone because of the recent changes in the two currencies.

In my view—and I do not need to tell my noble friend Lord Livingston about this, because he knows it much better than any of us—the new digital economy is beginning to develop in a way that stops it being sensibly referred to as a digital economy. It is everything we do now. No matter what exporting businesses do, few of them will not have an important element of digital and internet-based activity. That is a huge exporting potential, not just as regards the products and the outputs, but it is an opportunity as regards the individuals that we can export—if I may put it that way—because of our knowledge and expertise in the area.

As a final recent example of that, I was very pleased to see the recent announcement by the Hut Group. The Chancellor of the Exchequer was up there, rightly, acknowledging its £100 million investment in Warrington, which has an online retail dimension, but also a manufacturing development dimension. These things are hugely important for businesses in the future. We should not forget the digital economy as we go forward, because it will become more, not less, important to our economy and our exports.

I will first pick up a little on our relationship with the United States. It was interesting to notice that at the back of the Prime Minister's visit to the United

States to talk about security matters was a series of very important announcements about trade. A £1.1 billion trade agreement was signed between President Obama and David Cameron, which is a significant achievement, but you have to look quite deeply into press reports before you can find any evidence of that having being reported. That £1.1 billion is a significant amount of money. In the course of researching this, I discovered that the Americans are in favour of British cheese, gin and salmon. I do not know what happened to whisky—I resent that, and I am sure that the Minister is on my side here—but we need to do more work with our American friends to get them to change their tastes for the better. These are all significant things. I want to use that as a way of backing up what other colleagues, including the noble Lord, Lord Risby, said about the role of our ministerial teams, lord mayors and public officials, who work their socks off, to some great effect. As I said a moment ago, I am disappointed that we do not hear more about those successes.

A couple of colleagues made an important point earlier: can the noble Lord, Lord Livingston, give us some reassurance about the Transatlantic Trade and Investment Partnership? I think we are now in the eighth round of negotiations. I am in favour of that agreement, because it is a huge opportunity. It is easy to sit on the sidelines and carp but Her Majesty's Government have not been properly selling its advantages. This is an invaluable opportunity, but some press reports came out in the last 24 or 48 hours saying, perfectly correctly, that we need some further guarantees and that further work needs to be done to ensure that it is absolutely in the United Kingdom's interest as regards jobs, consumer rights and environmental protection. I hope that the Minister will be able to say a bit about that, because it is of fundamental importance to our country.

Moving on to the eurozone bailout, I understand what other colleagues are saying about China and India, the brave new world and emerging markets, but in the immediate future we really need to concentrate on helping exporters who are struggling in the short term. The ECB bailout may not work. The Russian economy is flat on its back, and the Japanese economy is not in good health. Even in China, there is some evidence of slowing down. There are headwinds all over the place, if I may put it that way. Can there be headwinds all over the place? Maybe there can. There are difficulties, and we should not underestimate the fact that we sell 40% of our exports to the European Union. I support what my noble friend Lord Stoneham said about the importance of that. We must not forget the difficulties that people face there.

I want to talk about some of the excellent work that Tobias Ellwood, the Trade Minister in the other place, has been doing. For instance, in the past few weeks he has taken a trade mission to Egypt, and we have had the third UK-Pakistan trade and investment conference and the Britain in Kuwait exhibition. We struggle to hear about these things, but they are all good news and that work is very important.

However, visas are still a very serious problem for students and trade missions. I know that I probably have the noble Lord, Lord Livingston, on my side in

[LORD KIRKWOOD OF KIRKHOPE]

this matter, but we really need to talk to UKVI. We should give ambassadors, who know their territory well, more discretion over who gets visas, so as to prosecute better trade and student relationships. David Willetts was absolutely correct to campaign as vigorously as he did about students being forced to return to their country of origin on graduation; I think that the noble Lord, Lord Cope, referred to this. Those people have valuable potential to be of assistance to us in the future when they go back to their own countries.

There are opportunities in the UK, with the strength of our local economy, and we should be doing everything we possibly can, including giving extra support to UKTI and the ambassadors who act in the Queen's interest in this business in other countries.

I end with a simple political message: we should be saying to the electorate not only that we need political stability and economic certainty after the election, but that this is no time for people to be voting for parties that have no experience of Westminster government. From these Benches, I would add that this is no time to vote for parties that would put at risk our membership of the European Union. I hope that the Minister will be able to reply to some of the points that have been made in what has been a good and important debate.

12.57 pm

**Baroness Hooper (Con):** My Lords, I, too, welcome the opportunity to debate this important topic. I thank my noble friend Lady Wheatcroft for giving us that opportunity and for the thorough way in which she introduced her Motion. Exports can be said to be the lifeblood of a country—a measure of its economic performance and growth. They are certainly to be encouraged as a route to a more balanced economy. A plan for growth, such as the plan published in 2011, is a good thing but it is how it is implemented that counts. This debate, and the response from the Minister, which we all eagerly await, will go a long way towards showing what has been achieved and may even emphasise what remains to be done. I was startled to learn recently that 31% of world imports come to Europe, while the figure for the United States is 12%, and for China 10%. I have not yet been able to find comparable figures for exports, and I hope that the Minister may be able to enlighten us.

My own experience lies chiefly in Latin America. I have led trade missions there and, as president of Canning House, worked with LATAG—the Latin American Trade Advisory Group, which was funded by the then DTI—to stimulate interest in the region and, particularly, to encourage and support SMEs. At the time, the British Chambers of Commerce also played an important role, leading government-funded missions on a regular basis, and commercial departments in embassies were expanding their activities and influence. In saying all this, I am going back to the late 1980s and early 1990s, when Latin American countries, rich in commodities, were establishing that they could have stable democracies and provide many commercial and investment opportunities.

However, the government funding then all sadly dried up, because of the emphasis being redirected towards trade with China. I always argued that the

good will towards the United Kingdom which exists in Latin America because of our historic links and the established major companies which operated there gave us an advantage. However, embassies were closed or downsized and the British banks, which had been evident and much respected throughout the region, pulled out one by one. Now the only British bank to be found in the whole region is HSBC in Brazil and Mexico. The consequences of that, especially for SMEs, are obvious. Now, of course, Spanish banks have replaced the British banks, although I hope that this trend may be reversed with time.

The noble Viscount, Lord Montgomery, and I waged a sometimes lonely battle to wave the flags and lead the protests, to little or no avail. Following the comments of my noble friend Lord Risby, I must also mention that successive Lord Mayors of the City of the London have also been loyal to the region. Therefore, it was a great relief to hear my right honourable friend William Hague, in his early days as Secretary of State in the Foreign Office, deliver the Canning lecture and say that all that was going to change. We have now seen multiple visits by members of the Royal Family, Ministers and even the Prime Minister, accompanied by high-level trade delegations. We have seen the reopening of embassies, new consular offices, and the development of UKTI activities and, indeed, UK Export Finance activities. We have also seen the appointment of a trade envoy—of which my noble friend Lord Risby is an example—to Mexico in the shape of my noble friend Lady Bonham-Carter. There is a much needed emphasis on energy, health and education—where the British Council comes in—as priority areas and sectors to promote. There has also been agreement on trade treaties on both a bilateral and, via the European Union, multilateral basis.

All this comes at a good time. Most Latin American countries are considered to be middle-income countries, with burgeoning middle classes with increasing expectations. It could be said that Latin America is entering a new economic cycle, and I am glad that the United Kingdom is now better placed to take advantage of that. Scotch whisky has always been a winner—I think that it is the biggest single export to Venezuela, for example. As another example, we have seen this in both motor car exports, to which my noble friend Lord Lang referred, and the automotive parts industry, which, in turn, helps to grow the motor car assembly plants which flourish in the region. That is a good balance of interests. The digital economy, which has been referred to, can also play an important role in the future.

Nevertheless, things still need to be done. Languages have been mentioned. The importance of even a basic knowledge of the language and, therefore, the customs of the country where a company wishes to operate is of immense value. I hope that the Department for Education and those who consider the national curriculum will take note of that.

The implementation of trade treaties, as well as their ratification and monitoring, is important. It was drawn to my attention recently that the trade agreement between the European Union and central America, which I think was entered into a year ago, has not yet been ratified by the United Kingdom. Indeed, only 12 of

the 28 European Union countries have so far ratified it. I hope that my noble friend will be able to give us some good news on that score.

The third thing that needs to be emphasised, about which my noble friend Lord Cope spoke eloquently, is of course the need to help and support SMEs. There are important opportunities in central America, where there are small countries but many opportunities. I declare an interest as the honorary president of the Central American Business Council, which last year organised a very important conference, UK-Central America—New Business Opportunities, which led to a number of new companies entering central American markets. With the opening up of Cuba and the re-establishment of relations between the United States and Cuba, I hope that we will not lose our place, given that we have nurtured our relationship with that country and that our Foreign Office Minister visited very recently.

I end with a plea for consistency and follow-through of policies, which are clearly now moving in the right direction. Whatever Government emerge after the election, I hope that they will keep up the good work.

1.05 pm

**Lord Selsdon (Con):** My Lords, I am most grateful to my noble friend for giving us this opportunity to look at trade from a wider point of view. I should probably declare my interest although I am always confused by it. I was working happily in the building materials industry when suddenly my father died and I was told immediately that I should go to the House of Lords.

I did not know any Lords. I waited to be invited but no one wrote to me. I then realised that I had to prove who I was, which was quite difficult. My father was called Lord Selsdon and I was Malcolm Mitchell-Thomson. I came to the House and met Lord Jellicoe and Lord Shackleton, who became two of my great heroes. I was then made to give up my job in the manufacturing sector and go into economic consultancy—although I was not good enough—dealing with trade. Then Lord Shackleton grabbed me and said, “I would like you to be involved with my East European Trade Council because things are going to happen over a long period of time and by the time that things do happen that are beneficial for the United Kingdom I will probably be dead, but you will still be alive”. At the same time, Lord Jellicoe said to me, “You are joining an economic consultancy company. I am sure they will let you take time off in the afternoon as long as you work at weekends”. I was to deal with export and trade finance.

Our first clients were the Japanese, who wanted to know about motor cars. Somehow, I did not believe that the Japanese made motor cars or were any good at that. We did a research project for them on opportunities in the United Kingdom automotive market. I did not know that one of the main reasons for this was that they drove on the same side of the road as we did. That led in due course not so much to the marketing of Japanese cars but to looking at what products and services they could sell to the automotive industry. Later, we organised a trade mission to Japan and

Bentleys and Rolls-Royces arrived there. I did not believe that the Japanese would drive those cars. The manufacturers sent left-hand drive cars by mistake, so we had to explain to the Japanese that, if you were a gentleman, you could drive your own Bentley as well as having a chauffeur, but that if you had a Rolls-Royce, you must have a chauffeur, and having a left-hand drive car meant that the chauffeur could open the door on to the pavement and help the customer. These were little things but I watched the Japanese logically and seriously develop and expand this area over time. The automotive sector has done extremely well. My own interest in it is that my father spent his life motor racing, but that is another story.

From there I moved on to do trade research. I was put on the East European Trade Council and then one day I met a charming lady called Patience Wheatcroft—now the noble Baroness, Lady Wheatcroft. She interviewed me and more or less took me apart by asking me questions which I had no idea how to answer, but I continued on the trade front. Then Lord Jellicoe said to me, “We are going to put you on to this European lark. We will put you on the Council of Europe”. I was not quite sure what that was. However, he continued, “Ask your employers to let you take some time off and you can go and see what we can do with Claude Chaisson’s money and develop opportunities in Africa using the European Development Fund”. Before I knew it, I was shoved into an aeroplane with His Royal Highness the Duke of Kent, Lord Jellicoe and others, and off we went to explore the French territories. I have to say that I did not know where the French territories were, nor did I know the historic relationship. So we were going down the west coast of France and almost not realising where we were, but it was a great experience.

I found something that worries me today. I received from the Office for National Statistics a release of 23 January exploring the deterioration in the United Kingdom’s current account in recent years. The first lines read:

“The current account deficit widened in Q3 2014, to 6.0% of nominal Gross Domestic Product GDP, representing the joint largest deficit since Office for National Statistics ... records began in 1955”.

I am not sure that things are as bad as that makes out. We may indeed have a current account deficit. In general, our biggest trade deficits have been with Germany, China, Norway, the Netherlands, Hong Kong, Italy, Japan, France, Benelux, Canada, Russia and Turkey. Our surpluses, surprisingly, have been with Ireland, the United States and, in general, Middle East countries. It is a difficult thing to look at because one thing that has happened in the internationalisation of the United Kingdom in recent years is that we have had a high level of immigration and of people from overseas countries wanting to work and contribute to the UK economy. We have probably the best international relations of any nation. I refer again to the situation relating to the Commonwealth—a remarkable collection of nations which are coming together, but we do not have any trade surpluses with them.

As I said, our two greatest trade surpluses are with Ireland and the United States. I find that quite interesting. Can we finance a trade deficit? Are we going to have

[LORD SELSDON]

trade surpluses? With which countries should we or could we operate? I return always to a map of the world. Historically, we have no raw materials or resources other than coal. Everything that we got came from overseas countries, where we managed to create added value. At the moment, the deficit that we have on manufactures can perhaps easily be supported by income flows. The Office for National Statistics document stated that there was also a record deficit in 2014 of 2.8% of nominal GDP,

“a figure that can be primarily attributed to a fall in UK residents’ earnings from investment abroad”—

I had forgotten about the earnings from investment abroad that was so significant to our economy—

“and broadly stable foreign resident earnings on their investments in the UK”.

Perhaps the Government can give us some idea of what the foreign residents’ investments are in the United Kingdom at present, and how significant they are to the economy.

Over my years in trade finance, I have never been quite as confident as I am now. I realise that I was completely wrong to feel negative about the balance of payments and trade of this sort. We are, without doubt, the world’s most favoured country—regardless of how, why and when we got there. It seems that interest in the United Kingdom—whether it be for education, training or security—is considerable. I congratulate those who have spoken today and am very grateful if somehow from this debate we can give increased confidence in the United Kingdom.

1.14 pm

**The Earl of Shrewsbury (Con):** My Lords, I congratulate my noble friend Lady Wheatcroft on securing this important debate today. I declare an interest, which is non-remunerative—sadly.

My noble friend Lord Bamford is currently overseas and is very disappointed that he is unable to participate in this debate on a subject that is, naturally, very close to his heart. He is out there promoting exports. He has asked me to represent his views as well as my own to your Lordships today and to make the case that, while much has been done by the Government to support UK exports, more still needs to be done.

As noble Lords will be aware, my noble friend’s family business, JCB, is one of Britain’s leading exporters. In fact, around 75% of the company’s UK production is exported to more than 150 different countries every year. To give this some context, more than 26,000 JCB diggers left our shores through the ports of Southampton, Felixstowe or Bristol last year. As a result, the group secured export revenues of well in excess of £1 billion, making a very healthy and positive contribution to the nation’s trade balance. So congratulations to JCB and to other UK-based manufacturers like it. For example, in the UK car industry, of the 1.5 million cars manufactured here last year, nearly 1.2 million were exported. In terms of value to the British economy, the wholesale value of car exports was £26 billion last year. That is an astonishing performance from our automotive industry, which has been well supported by this Government.

Construction equipment and cars are just two examples of British export successes; there are many more—in industries as diverse as fashion, pharmaceuticals and, close to where I live near Stoke-on-Trent, the ceramics industry, with major exporters and famous names such as Steelite, Churchill, Dudson, Wedgwood and Portmeirion. Even closer to where I live are some top-class SMEs, such as JBMI Group Ltd, which recycles aluminium, much of it from the automotive industry, and other waste products from the smelting industry. Instead of sending such waste materials to landfill, it follows the encouragement from Brussels directives to produce worthwhile products from waste, and they export. Yet Her Majesty’s Government could help more companies such as this one by the reduction of red tape and a quicker, more positive action and decision-making process by the Environment Agency.

Your Lordships may be aware that UK television exports were worth nearly £1.3 billion in 2013. It seems that “Downton Abbey” and “Top Gear” are as highly regarded in overseas markets as JCBs and Jaguars. My noble friend Lord Bamford is justifiably proud of his company’s export successes. JCB has been exporting for several decades, and in many ways, as a leading player in its sector, exporting comes easily to this giant in manufacturing.

However, as a leading and innovative businessman, my noble friend is acutely aware that, for many smaller companies, making that first step into export markets can be extremely daunting, and that, having made that first step, achieving growing export sales can be most challenging. From the safe haven of British soil, the intrepid businessman or businesswoman has to navigate the labyrinth of different languages, different cultures, payment terms, credit lines and complex distribution channels. This Government have done much to assist SMEs, for whom the export challenge is probably the greatest. Both my noble friend and I pay particular tribute to our noble friend Lord Livingston, who, just 12 months ago, started out in his role as Minister for Trade and Investment on a promising path to help our small and medium-sized companies.

In his report on UK manufacturing, published in 2012, my noble friend Lord Bamford recommended that UK Export Finance expand its activities to assist exporters, and he is pleased with the wider range of products that it now has to offer. My noble friend has been most keen for our embassies and consulates to support British businesses in overseas markets. Recent experience shows that they have become much more commercially focused, which is a positive step forward. However, my noble friend would be the first to admit that more needs to be done to promote exports in an increasingly difficult trading environment, with BRIC economies having slowed and ongoing troubles in the eurozone.

In my noble friend’s opinion, much of the effort needs to take place here in the UK to convince and reassure businesses that developing and growing export sales is a worthwhile task and not to give up at the first hurdle. This Government have established an excellent framework, with UKTI offering the support of trade advisers and UK Export Finance providing help through its wide network of export finance advisers. But there

needs to be a step change in how we market these services to UK-based companies, particularly to those in smaller companies for whom the perceived risks of exporting will be considerably higher. I know that my noble friend the Minister understands the need to do more.

When I asked my noble friend Lord Bamford what advice he had to offer any company contemplating exporting to overseas markets for the first time, his reply was, quite simply, “Don’t necessarily start in Europe. Think also of the Commonwealth”. This view mirrors the UK’s trade situation, in that the value of exports from trade outside the EU is greater than it is from trade with EU countries. The latest available statistics from the ONS for the year to November 2014 state that the value of non-EU exports was £149 billion compared with EU exports worth £136 billion. My noble friend’s point was this: although France is closer geographically, it may be easier and more worth while to sell to India, Canada or South Africa, where language is not an issue and where we share the bonds of history. The EU is an important market for JCB and many other manufacturers, but the bulk of that company’s revenue comes from India, the Americas, Russia—though not at the moment—and the Middle East. Our country’s sights need to be set further east and more to the west.

The Minister will recall that when he attended the “Meet the Mittelstand” conference held in JCB’s Staffordshire headquarters just over a year ago, he announced that UKTI,

“will be contacting every mid-sized business in the country ... to find out if they want to start exporting ... Or, if they are a current exporter ... whether they are looking to expand into new markets”. My noble friend’s stated aim was that,

“there should not be a mid size firm who does not export to their potential, due to a lack of awareness of the support government can provide”.

Might my noble friend the Minister update your Lordships on the progress made in contacting those 8,900 mid-sized businesses, and on the extent to which they have taken up the government support being made available through UKTI and UK Export Finance?

My family motto is “Ready to accomplish”. My noble friend Lord Bamford’s family motto is “Jamais content”—“Never content”. Perhaps UKTI should adopt these mottos for itself.

1.22 pm

**Lord Sherbourne of Didsbury (Con):** My Lords, it is a great pleasure to follow my noble friend Lord Shrewsbury. I want to begin by quoting from a debate in this place in 1961, when the Earl of Bessborough said that,

“we live or die by our international trade”.

He went on to call for,

“a national crusade to excite the spirit, to revivify and stimulate every facet ... of the export drive”.—[*Official Report*, 22/3/61; col. 1155.]

It is quite clear from today’s debate that that crusade goes on. I want therefore to congratulate my noble friend Lady Wheatcroft on having secured this debate.

My noble friend Lord Selsdon referred to the balance of payments deficit. In the 1960s, that was the great, dominating economic factor. Today, the economic

debate is dominated much more by the national finances and the deficit, which this Government have to bring down. However, there is a considerable balance of payments deficit, so this debate is very important.

I want first to acknowledge the tremendous effort made by our exporters and the success they achieve. I say this because I am always conscious of how easy it is for people who, like me, are not in the business of exporting to encourage and exhort other people to go out there and sell. I remember Mrs Thatcher when she was Prime Minister reading a speech of one of her Trade Ministers in which he had said that we needed more people to go into business, into manufacturing and into exporting. She said, “Well, if you think it’s so important, why didn’t you?” It was a very fair point.

Exporting is hard work. There are many challenges. Other speakers have referred to the juddering growth in European countries, to the volatility of the exchange rates and in particular to the recent plunging of the euro which makes our exports to eurozone countries less competitive. This is just one of the many reasons why it is important to look to markets outside Europe. I was especially struck by what the Institute of Directors found in a recent survey: that its members export more to Spain than to China and more to Belgium than to India.

I want therefore to say just a few words about the importance of understanding and speaking a foreign language, which my noble friend Lady Hooper mentioned. Although my noble friend Lord Risby was right that it is a tremendous asset for Britain that so many countries speak English, it is important that more of our people have a foreign language.

In October last year, a survey by the British Chambers of Commerce showed that 35% of firms reported a skills shortage in languages. It called for more of a “global mindset”. This is where foreign languages can help. It is not just a matter of speaking another country’s language; it also opens the door to an understanding of their culture. I was shocked when I discovered last year that of all A-level subjects passed in state schools, only 3% were in modern languages. I therefore welcome the steps taken by the Government to ensure that modern languages are taught in our schools. We are beginning to make real progress there.

I was looking the other day at who attended the World Economic Forum in Davos this year and the sectors they represented. The vast majority of attendees came from the various service sectors. By far the biggest cohort, by a mile, came from what Davos defined as the public sector, civic society, arts and academia. Then came media, information and entertainment. Then came banking and professional services, and comparatively few from manufacturing. There are two striking conclusions. One is that those who are in the hard business of exporting probably do not have the time to go to Davos. Secondly, it reminds us that the exporting of services is very important, and there is a great success story here in banking, insurance and financial services. But we also have in Britain some of the most creative talents and companies in the world. The export successes of our television companies have already been referred to. The BBC exports “Planet Earth”, “Top Gear”, “Doctor Who”, “Strictly Come

[LORD SHERBOURNE OF DIDSBURY]

Dancing” and “Sherlock”. ITV sells “Mr Selfridge”, “Agatha Christie’s Marple”, “Agatha Christie’s Poirot” and “Lewis” in more than 150 countries. So there is a great success story there.

Another extraordinary success story, referred to by other speakers and in particular by my noble friend Lord Stoneham, has been that of car exports. Five million cars have been exported during the past five years.

As I said, companies do not need exhortation from government but they do need help. I hope that we will hear from my noble friend the Minister on what the Government are doing. I know that our embassies, which have huge reserves of understanding of local languages and culture, have been reinforced with commercial expertise. How far is that providing the assistance and intelligence that companies need? Are they providing enough information about export opportunities? Is that information getting through to the right people? I know that there is more co-ordination between the FCO and UKTI; is that working well? We know about the many trade missions, often led by the Prime Minister and by my noble friend the Minister. Is he satisfied that there is sufficient and effective follow through?

On UK Export Finance or ECGD—my first job as a trainee in a merchant bank was in the bank’s export finance department—can the Minister tell us what progress is being made to extend the availability of export credit and to increase awareness and utilisation of ECGD? I look forward to hearing from him.

1.30 pm

**Lord Trefgarne (Con):** My Lords, I beg leave to make a short intervention at this point and to apologise to your Lordships for not having placed my name on the speakers list earlier.

I want to ask my noble friend about the position of departmental support for defence and security-related exports. As my noble friend will recall, responsibility for this work transferred from the Ministry of Defence to UKTI in 2008, if my memory serves me right. It was not always obvious why that was done. Defence exports need the support of the Ministry of Defence and the Armed Forces, which I am sure they still have, but it is less easy to do so when it is a cross-departmental matter. The present head of the UKTI Defence & Security Organisation, Sir Richard Paniguián, does a terrific job, but he is in UKTI and not the Ministry of Defence. I hope the possibility of reviewing these arrangements can be kept alive.

I apologise to my noble friend for not having given notice of this matter. If he prefers to write to me with his thoughts, I would be happy to receive them.

1.32 pm

**Lord Stevenson of Balmacara (Lab):** My Lords, I thank all speakers for a very interesting and informative debate. It has been very wide-ranging and has drawn on history as well as current practice. That is all thanks to the noble Baroness, Lady Wheatcroft, who tabled the debate. We are very grateful to her for that.

As other noble Lords have said, she has spoken in many economic debates in your Lordships’ House. I am sure that I am not alone in enjoying the way that she smiles as she damns with faint praise.

The title of the debate is intriguing. We are asked in this debate to “take note” of the Government’s support for British exports—not to judge it, to praise it or to revile it, just to note it. That is obviously easy to do. I noticed a few criticisms in the noble Baroness’s speech. I thought she gave the Government a bare pass mark on progress so far and particularly enjoyed her little riff on the difficulties that SMEs must have in accessing the UKTI and UKEF websites. We have heard that before from the noble Lord, Lord Leigh of Hurley, who indulged us with the attempts that he has made to try to get down to any sensible source of finance for these areas. We are aware of that. The noble Baroness picked up on it, and I hope it will also be picked up by the Minister in his response. In the last quarter of her speech she was a bit critical about some other areas of activity, including the impenetrable way that we report our trade statistics, which must make this very difficult. Handbags may not be the only issue about which we have to get further and better information before we can understand where that trade is going.

The noble Baroness was right to pick up on the fact that many Governments across the world support exports, including that of the United States of America. Why are our Government not doing more than they currently are doing? Why are they not picking up that special tax deductions and financial incentives are available in some of our competitor countries? Like many noble Lords, she also picked up on the visa problems in India, China and many other countries, and on this absurd proposal to require our overseas students to go home as soon as they graduate, which is doing so much damage across the world.

I also welcome the noble Lord, Lord Livingston, back to the House. He is a rare but very welcome visitor, but that is of course because he is doing such good work outside the House. We pay tribute to that—not only to him but to his team of trade envoys. We have heard a bit about them today, and they are also doing great work.

We on this side of the House of course accept that improving trade will be vital to growing the UK in the coming decade. Boosting exports must be a national mission and we must support the Government in their work. The world is changing faster than we can comprehend, with global economic forces moving south and east. This is creating huge opportunities in a world where, as the noble Baroness, Lady Wheatcroft, said, the global middle class is expected to treble to some 5 billion people in the next two decades, offering huge opportunities.

The 2008-09 crash exposed long-standing structural problems in our economy, which was unbalanced by sector and by region and short-termist in its corporate culture, leading to low levels of business investment and low productivity. It had a dysfunctional finance system at its heart and a stubborn and increasing trade deficit, which many noble Lords have mentioned. Although some growth has finally arrived, which is welcome, it is not the balanced and sustainable growth

that we need. Prices are still rising faster than wages and the continuing cost of living crisis for many means that individuals are, on average, £1,600 a year worse off compared with 2010. A “business as usual” recovery is not good enough. To set the foundations for future success, we need to take a different approach.

We on this side have a long-term plan to earn and grow our way to higher living standards. Our goal is a high-productivity, high-skilled, innovation-led economy. To get there, we need more British-based businesses creating good jobs, investing, innovating and, of course, exporting. Our plans include radically reforming vocational education and apprenticeships by putting employers in the driving seat, creating a higher-skilled workforce with greater foreign language skills, driving up productivity and underpinning higher wages. We plan to support lending to businesses by creating a proper, independent British investment bank, and a network of regional banks with a responsibility to boost lending in their areas. We plan to support green growth by backing the 2030 decarbonisation target and giving the Green Investment Bank borrowing powers. We plan to establish a small business administration to champion small business at the heart of government. We plan to devolve powers to cities and regions to boost growth and rebalance the economy, allowing local knowledge to solve local problems, and to encourage a longer-term decision-making culture in business and government, through rules and incentives for business that reward a longer-term focus and an ambitious industrial strategy to support long-term growth. However, this debate is focused on exports. I will concentrate on that for the last part of my speech.

The noble Lord, Lord Lang, in a good speech, warned us about relying on short-term statistics, but the news is not good. The headline news from the Office for National Statistics, in its latest report, is that the value of goods exported is the lowest since October 2010, while the goods deficit—excluding oil and items such as precious stones and aircraft—has widened from £8 billion to £8.5 billion. For these statistics to improve, Britain’s small and, in particular, medium-sized businesses, which are the right focus for this activity, will need to up their game on exports. They will look to government for that support, and key to that is ensuring that they have access to the finance they need to export. That is why the performance of the Government’s two flagship export schemes—the export refinancing scheme and the direct lending scheme—are crucial.

Last month, the ONS said that UK exports have “remained largely flat” in the last four years. Last month, it downgraded the UK’s trade forecast for this year, last year and each of the next four years. Despite what the noble Baroness, Lady Wheatcroft, feared we might say about this, we support the ambition behind the Prime Minister’s suggestion that exports need to go up to perhaps £1 trillion a year—what we complain about is the lack of success in achieving that. I think she might share a little of that. Where are we on these plans? Can the Minister in his response give us a sighting shot of where he thinks the target will be? I think it will be less than £1 trillion—I may bet on that, although I am not a betting person—but it is also important to understand whether we will get the 100,000

new firms involved. I would be grateful for his comments on that. It has also been reported recently that the £5 billion export refinancing facility, launched two years ago, has still not helped a single business. Can the Minister explain where we are on that?

We have fantastic, innovative business groups in our country, and many important advantages on which we can build up our exports. We have a strong British brand; our language, our legal system, and our time zone work in our favour. As was mentioned, we should be drawing on the rich cultural tapestry of Britain, building on the links with our diaspora communities to strengthen trade links with emerging markets and exploiting our potential. To grasp these opportunities, the Government need to act and support them. Governments can help by doing what, left to their own devices, markets cannot. Markets cannot set strategic direction; government can. The automotive industries mentioned earlier are a good example of that.

Early stage, fundamental research is often too risky for businesses. It is important to recognise the role that the US Government played in financing and operating many of the innovations behind the digital economy. Silicon Valley venture capitalists took the plaudits, but they were standing on the shoulders of federal government investment and support over many years.

Taxation has a role to play. The re-emergence of the British film industry was largely due to the tax breaks which the previous Government introduced. To their credit, this Government have continued and extended them, so there is now good support for cultural and creative industries in high-end TV drama, animation and live theatre. We need more, perhaps in the craft, design and related sectors, but this has been a great start.

Government can regulate to improve things. Government can also foster clusters and other institutions that help pre-market co-ordination and support. When all this comes together, the Government can put it into a package. I hope the Minister can reassure us that the Government are on track on some of the issues that have been raised during this debate. These include the Select Committee report, *Roads to Success*, as mentioned by one noble Lord, and the NAO criticism about the lack of clarity and focus between BIS and HMT. There is also the potential failure of the export funding schemes and the real concern about the way in which UKTI and UK Export Finance are helping small and medium-sized businesses. Perhaps he could make particular reference to the correspondence we have exchanged about the cuts in the support for SME attendance at trade shows. We also heard worries about TTIP, and we need to think about how we are going to gather all this together in a policy. I look forward to hearing what the noble Lord has to say.

1.41 pm

**The Minister of State, Department for Business, Innovation and Skills & Foreign and Commonwealth Office (Lord Livingston of Parkhead) (Con):** My Lords, I am extremely grateful to my noble friend Lady Wheatcroft for initiating this important debate. It seems only a few years ago that we were both in the retail industry. She was then editor and part-owner of

[LORD LIVINGSTON OF PARKHEAD]

*Retail Week* and I was a mere finance director at Dixons group. We have aged not at all since then. I am also encouraged to hear so many positive interventions in support of UK exports.

As my noble friend Lady Wheatcroft said, this is a difficult time to try to grow our exports. In the UK, we have seen a strong economic recovery, reflecting a good long-term economic plan, but the economies of many of our closest trading partners who have followed different paths continue to struggle. As my noble friend Lord Lang commented, the strong pound has had an impact. Imports and exports of precious metals, diamonds and oil have led to a muted export performance.

My noble friends Lord Selsdon and Lord Sherbourne both raised the issue of the current account or balance of payments deficit. I should clarify that this is different from the balance of trade. We have seen a worsening of the current account deficit, reflecting greater investment in the UK in areas such as gilts. The UK has run a high trade deficit over a number of years and that is one of the reasons for it. As a Government, we are at the forefront of reducing that deficit and returning to surplus, which will, in turn, improve the current account.

The trade deficit element of the current account is a better story, although there is still more work to do. In past years, when the UK grew faster than its competitor countries, we sucked in imports and the trade deficit worsened. This year the deficit is running at about 2% of GDP. By contrast, under the previous Government, it ran at 2.5% of GDP. In the past three months, we have seen further improvement still. Last month's numbers were the best for 17 months.

We should also not forget that the UK is the world's sixth largest exporter. I can reassure the noble Lord, Lord Kirkwood, that manufacturing is hugely important and we are very proud of it. We are also proud that we are the second largest exporter of services in the world. I do not see these as alternatives; in fact, they support each other. We are also the second largest aerospace exporter in the world. Many noble Lords have mentioned our car industry, which is now the second largest in Europe, with the vast majority of what it produces being exported.

Despite problems in the eurozone, we are seeing strong growth in many new markets, with exports to China having doubled over the past four years. So we should not talk down our export capability, as some of our detractors do. When I go around the world promoting trade, I increasingly find that people have a positive image of British products and services. We are seen as innovative, cutting-edge and high-quality. We need to do much more; but we should do it by building on these strengths, not by ignoring them. I make no apology for our ambitious targets in doing so.

The Government have tried massively to enhance the support and advice available to UK companies to help them export. This is not a short-term role. UK Trade & Investment has increased the number of businesses we support each year from 27,000 in 2010 to 50,000 now—a near doubling in the support provided. For instance, we have substantially increased support to trade shows, events, missions and programmes. The noble Lord, Lord Stevenson, asked about this. The

Tradeshaw Access programme has increased by one-third since the previous Government. It is a bit lower this year than last, but last year was a record year. This is not just about helping companies to attend roadshows but about providing pavilions and assistance to make sure that those attendances are productive. This year alone we expect to help more than 50,000 companies at international events and trade shows, rising to 60,000 next year. We are working closely with trade associations to plan next year's events well in advance.

We have also run a number of major festivals. We were heavily involved in the Liverpool International Festival for Business and I commend the city of Liverpool for its efforts in creating the largest single business festival in the world last year.

We also held the Commonwealth Games in Glasgow. We invited a number of Commonwealth countries and had two days of business events around it.

The NATO summit at Celtic Manor was also a wonderful event. It was not just a meeting of Prime Ministers and Defence Ministers but also an opportunity to show our defence industry exports.

This year, we will have a major exhibition of the UK's creativity at the GREAT festival in Shanghai. We will also have an impressive presence at Milan Expo, which will highlight the UK food and drink sector and innovation in particular. I commend it to all noble Lords to try to attend that event.

We have also been targeting our efforts on the projects that are worth most to the UK. Our High Value Opportunities programme has delivered more than £20 billion of business for the UK over the past three years. It has won business for large companies and for small companies in their supply chain as well. Railways, healthcare and oil and gas are but three sectors where this has happened.

As my noble friend Lord Cope stated, smaller businesses need particular help. Last month the Government announced an additional £20 million of funding to help smaller companies become first-time exporters. Export advisers will give them access to a new incubator service, insight visits to markets and an expanded programme of trade fair and events support. For those small companies, online is often a good first step into new export markets. As part of our e-exporting initiative we have signed partnerships with major e-marketplaces from China to South America to Japan. We also provide specialist advice on how to set up websites for overseas markets and a databank of more than 400 international e-marketplaces. I believe this is a world first.

My noble friends Lady Hooper and Lord Sherbourne mentioned languages. We recognise that companies need help, to overcome not just language barriers but also cultural and localisation barriers, to succeed in their export efforts. We have supported more than 700 companies through our innovative service, including the e-commerce for international trade master classes, which take place throughout the UK. Our new language and cultural advisers are helping hundreds of companies. We are piloting a number of events and services that take advantage of the ability of the foreign students we have in the UK. We create temporary placements for graduates and postgraduates in companies to help

with both language and cultural understanding. I was recently in Sheffield, launching such a scheme with Chinese students to help local companies.

Finance is an issue for businesses. I am grateful for the many positive comments that noble Lords have made. UK Export Finance has launched new products to meet the needs of smaller companies. It has recruited 24 new specialist export finance advisers to guide them through the increasingly difficult and complex world of export finance. Our progress has been recognised by the British Exporters Association. In 2010, it rated the UK for its product set at five out of 10. Last year, the rating was nine out of 10. Our export credit agency was voted as the best in the world last year—a really strong achievement.

Last year, UKEF supported 55% more companies than in the previous year and it is on target to do so again this year. I hope that with the changes introduced by the Small Business, Enterprise and Employment Bill we can look forward to a substantial increase in help for small companies.

The noble Lord, Lord Stevenson, asked particularly about the export refinancing facility. It was launched last year and its role is to support banks with long-term loans. It is a stand-by facility if there is a lack of liquidity in the market. Fortunately, a number of the efforts that this Government have made are supporting liquidity for long-term loans. So far it has not been called upon by the banks but it is absolutely in our locker.

There is also great potential among our medium-sized businesses. My noble friend Lord Shrewsbury raised this very issue. Only one in seven medium-sized businesses generates revenue outside the EU, whereas in Italy the figure is one in three and in Germany it is one in four, so we need to improve that. As I promised, I have written to every single MSB in the land to invite them to take up our offer of export support. They will get a named adviser and an export plan, and they will receive assistance to work in areas such as intellectual property and export finance. I am pleased to report that almost one-third of MSBs have taken up that offer, which is a pretty impressive achievement in less than a year.

My noble friend Lady Wheatcroft is correct in saying that this is not just about UKTI; there has to be a cross-government approach. We very much share that view. Together with the Treasury, for example, we are promoting UK financial services—which are very important for our export effort—with the newly created Financial Services Trade and Investment Board. Healthcare UK, together with the Department of Health, is another example of cross-government working. It has helped Britain to win overseas business worth more than £1 billion since 2013.

My noble friend Lord Leigh commented on our embassies. I echo the view that the support provided by embassies and the ambassadorial network has improved substantially. Many, many businesses comment on the positive support that they receive. A few months ago when I was in Japan, 50 British food and design companies were in the ambassador's residence receiving support, and the event attracted 500 distributors in Japan. Similarly, when I was in France, we had French

special forces at the ambassador's residence buying equipment from small defence manufacturers from the UK. The FCO and the Department for International Development are two other departments that are working together. We are also developing a joint Africa framework, which will increase our presence in African markets. Indeed—this really goes to the question about the Commonwealth—UKTI has recently added resource to 13 of the fastest-growing economies in Africa, most of them Commonwealth countries.

I was in India just a couple of weeks ago and met Prime Minister Modi, among others. I went with 60 UK companies. I am sure that my noble friend Lord Bamford will be pleased to hear that many Indians think that JCB is an Indian company, so strong is its presence in India. That is great, because I feel much the same way about Tata—that it is a British company—and I welcome it here in the same way that JCB is welcomed in India.

I have said a lot about what the Government are doing, but clearly we do not work in isolation. The Government are working with major retail banks, professional services firms and trade associations to support the trade agenda. We have now established more than 20 overseas business networks with the chambers of commerce to complement UKTI's international reach. If you are a small businessman going to Mexico City, Dubai, Bangalore or Warsaw, to name a few places, you will find a British business centre where you can set up, have meetings and get advice to help you with your export efforts.

The UK is a free trading nation. Many of my noble friends, including my noble friends Lord Lang and Lord Leigh, asked about progress with free trade agreements. Perhaps I may give a little bit of historical context. Korea was mentioned. Since the EU-Korea agreement came into force, our exports to Korea have more than doubled. We now have a trade surplus with South Korea of more than £2 billion. We did not have any trade surplus before that agreement. That highlights the success that free trade agreements can bring to a free trading nation such as the UK.

Last year, the EU concluded provisional agreements with Canada and Singapore, and we will be encouraging UK exporters to see these as an opportunity to take their products to new markets. The UK remains one of the strongest proponents of free trade both in and with the EU. We will be pressing continually for great progress to be made this year with TTIP—the agreement with the US, and indeed with Japan, as we must not forget. We are also supporting proposals to restart talks with India and to begin agreements with China. That is in addition to our work with the WTO and on international agreements such as TiSA and the trade in green goods. Free trade helps to bring down prices, so it is good for consumers, it helps small businesses—I highlight that TTIP will have a special small business chapter—and it is good for British jobs. I know that I have the backing of the majority in this House in my strong support for these agreements.

Perhaps I may pick up a few miscellaneous issues. My noble friend Lady Wheatcroft, among others, asked about the classification of exports. This is a challenge, particularly in the area of services. I think

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that the way in which we look at services is somewhat stuck in the past. Not only do services form the greatest part of our economy but many of the products that we sell come with services. Rolls-Royce was mentioned earlier. I believe that when it sells an aero engine, close to 50% of the value of the sale is a service. Yet the way that we report on services is stuck in the past. In fact, we are discussing with the ONS what we can do to improve the presentation of a number of these areas.

The noble Lord, Lord Hunt, and my noble friend Lord Kirkwood raised the issue of visas. To be clear, there is no limit on the number of visas available for students to come to the UK for proper courses. They are unlimited. Also, if those students take a graduate-level job, they can continue in the UK. However, I accept that there are perception issues, as is clear from comments in the papers. One of the discussions that I had with people from newspapers and so on when I went to India was about that very issue, and it has had an effect in India. However, overall it has not had an effect. First, students recognise that the UK has four of the top six universities in the world, the other two being in Boston, and, secondly, we are now getting record numbers of overseas students coming to the UK. Next year, we expect a new record in that number, and those students will get a very warm welcome.

Another issue raised was the EU. It is of course this Government's policy to stay in a reformed Europe—a Europe that focuses on free trade, competitiveness and the single market. That is the Europe that we know UK manufacturers and exporters want to see. The noble Lord, Lord Hunt, also raised a question about Rolls-Royce. There is no change in the position; it is included in Rolls-Royce's articles of association.

I also welcome overseas companies. We have talked previously about Jaguar Land Rover, which has been a rather better success under Tata than I recollect it being when it was owned by the British Government. Many British companies buy other companies abroad—for example, Rolls-Royce and AstraZeneca. The Astra in AstraZeneca is of course a Swedish company. Those sorts of companies, as well as long-term investment in areas such as R&D, are, I believe, very important.

My noble friend Lord Lang of Monkton made some excellent points about investment into the UK. Because of the right conditions that this Government have created, we are now the number one investment destination in Europe. We are increasing our lead over Germany and everyone else. An important part of that is helping the supply chain, which assists our companies in exporting. A number of months ago, the Prime Minister announced an important initiative, Reshore UK, to encourage companies to bring their manufacturing and other activities back to the UK. There is a one-stop shop within UKTI for doing just that.

A question was also raised about our progress in achieving the goal of £1 trillion of exports. Given the time, perhaps I may commend to noble Lords the *2020 Export Drive* report, which I am pleased was mentioned by one or two speakers. This is a recent document in which we set out how we intend to make the next leap

in our export performance. I thank my noble friend Lord Risby, in particular, for reading it, as well as for his wonderful work as a trade envoy. I share in the comments of the noble Lord, Lord Stevenson, about the work done by Members of this House as trade envoys. They are very much appreciated and very effective.

My noble friend Lady Hooper asked about Latin America. I cannot give her an update on the central America agreement but I can tell her that the Colombia BIT agreement was agreed a few months ago. We are making great strides in Latin America. I was in Mexico not so long ago with a major trade mission, and 2015 will be the year of the UK in Mexico and Mexico in the UK, which will include a state visit by the Mexican President. We have also recently established a British business centre in Mexico City. All those things will help and it will be an important market, particularly among the countries of the Pacific Alliance, which are embracing free trade and all the benefits it brings.

My noble friend Lord Sherbourne of Didsbury asked whether there is enough follow-through on trade missions. The answer is: we are doing better but could still do more. We will be looking to do just that. My noble friend Lord Trefgarne asked about DSO. I believe that the Defence and Security Organisation being in UKTI has been a major benefit. More importantly, defence companies tell me that, and a new head will be joining from the Home Office shortly. It is important to recognise that it is not just about selling aircraft, although that is important; it is about cyber technology and security. We are working very closely with industry—I was at a reception for DSO just last week—and DSO's performance has been extremely strong and the industry supports it very strongly.

To pick up on some of the later points, the noble Lord, Lord Stevenson of Balmacara, raised the question of the UKTI website. I echo the comments of my noble friend Lord Leigh and other noble Lords on the issue. It is very simple to contact your local ITA. Its job is to help to guide you through. I hope that all noble Lords will give that advice to many people.

The UK has great potential to build on its strength as an exporter. It needs a step change in effort, and we are delivering one. The challenges of the eurozone are not helping but we need to continue to be imaginative and ambitious. It needs to be not just a government effort but a UK-wide effort. I am grateful for the support of the whole House in this endeavour, and together we will be successful.

2.02 pm

**Baroness Wheatcroft:** My Lords, I thank my noble friend for his reply. It was as thorough and thoughtful as I would have expected. I thank all noble Lords who have taken part in today's debate, demonstrating and sharing such wide knowledge and experience. Because it has been such an upbeat and positive debate overall, I should like to end on a very positive note. When President Obama took tea with Prime Minister Modi he was wearing a quite extraordinary suit. The cloth was manufactured in this country and the suit was made by a London tailor.

*Motion agreed.*

## Schools: Reforms

### Motion to Take Note

2.03 pm

Moved by **Baroness Perry of Southwark**

That this House takes note of the progress of the Government's school reforms.

**Baroness Perry of Southwark (Con):** My Lords, it is a privilege to introduce this debate on the progress of the Government's school reforms. I am very grateful to the many noble Lords who put their names down to speak today, and I look forward to their speeches with great interest. In my view, education is both the most important of all the social reforms that the Government have undertaken and the most successful.

Since 1988, the pace of educational legislation has been relentless, and the past few years of this coalition Government have been no exception. Fundamental changes to the curriculum, to examinations and to the structure and control of schools have altered the landscape of education in almost revolutionary ways. Of course, change in education is not an overnight process; it takes time. The results achieved are remarkable, but this is a work in progress. Mistakes will have been made and success is not always guaranteed, but the achievements of these reforms should be a cause for national celebration.

Education is important. It is through education that we ensure that every generation enters society with knowledge and understanding of our laws, customs and the values on which these rest. Teaching right from wrong and developing character are part of what society sets its schools to do, even though the definition of values are slowly shaped and developed by each generation in turn. Never have values been more important. In a world where widely different views coexist of what is right and wrong—for example, in respect of human rights and in the core concept of what is a good society—it is of paramount importance that our young people learn, understand and embrace for themselves the values which, in Winston Churchill's words are,

“all that we have known and cared for”.—[*Official Report*, Commons, 18/6/40; col. 60.]

Schools are also expected to give every capable child the skills and knowledge on which their society is based: how it earns its living and what it needs to survive and go forward. To meet this goal, each young person must be given the tools to survive as individuals and to contribute to the wealth and welfare of the society they will enter. Our young people will leave education to compete not only with their contemporaries in this country, but with their global contemporaries. They need skills to take their generation to economic success in a fiercely competitive race, and society needs every one of them to be properly equipped to contribute to their country's success in the global race as well as to survive as individuals. It is easy to say that but incredibly difficult to achieve for every young person when their individual background, motivation and experience in the first years of life differ so hugely.

How then have the Government pursued these goals and what progress has there been? Reform of the curriculum, of what is taught and how this is examined, has been fundamental. Successive Governments have espoused the mantra that every child should have access to a broad and balanced curriculum, and some have supported the need for rigour in the teaching of every subject. In 2010, however, despite some energetic work in primary school offerings in literacy and numeracy by the previous Government, the curriculum in most secondary schools was neither broad nor balanced, and rigour was sadly lacking in too many subjects in too many schools. Too few pupils were following the key subjects of English, maths and science at GCSE level, and many were gaining their “five good GCSEs” in subjects which their teachers, chasing the Government's targets, thought were the softer or easier subjects in which to get good grades. I am not a fan of targets. All too often these were not spread across a broad subject range, but bunched together in the humanities or arts subjects believed by the teachers to be easier than the hard disciplines of maths and science.

The reforms of both curriculum and examinations were designed to tackle this head on, and to reintroduce rigour, breadth and balance into every secondary school. First, the EBacc was introduced, offering a measure of student and school performance in the five key subjects, while the introduction this year of the Progress 8 initiative will give schools the freedom to broaden the range of subjects on which progress is measured.

Rigour within subject offerings is proceeding through the painstaking process of consulting widely with academics and teachers in each subject, to ensure that every young person leaves school with a confident grasp of maths and science, a command of English language and literature, and with the knowledge and understanding of the history of their own country and its place in the history of Europe and the world. Religious education remains compulsory, and the arts—music, dance, art and so on—can be offered with the school's choice of specialist expertise and interest.

These are the basics of the curriculum, and the examinations reinforce and direct the breadth and balance of each pupil's experience. The reform of the nature of those examinations is itself reinforcing the rigour of the subject teaching. I have no wish to enter the “dumbing down” arguments of recent years, but I greatly applaud the Government's examination reforms. These mean an end to the practice of allowing pupils to take examinations in small modules, repeated many times, sometimes over two or three years, until a meaningless C grade is finally achieved. Final, summative examinations at 16 and 18 will now enforce real rigour in both teaching and learning and the results achieved represent a real measure of the young person's achievement.

Much to my delight, the Government have also tackled the long-standing scandal of vocational education. The review of vocational education in 2011 by Professor Wolf—now the noble Baroness, Lady Wolf of Dulwich—found that no fewer than 350,000 16 to 19 year-olds were studying for qualifications that were of very limited value either to them or to employers. To deal with this, the Government have removed more than

[BARONESS PERRY OF SOUTHWARK]

7,000 qualifications from the performance tables, reducing the total on offer. The only qualifications being offered should be those which have real value to young people in obtaining apprenticeships and employment, and, best of all, providing motivation to continued study for those many young people who, though intelligent and personable, have little motivation in a purely academic curriculum.

The welcome introduction of the tech bacc offers talented students the chance to achieve, by assessment in one or more of the technical qualifications, a demanding maths qualification and an extended project, usually in the technical field of their choice. The innovative and highly successful university technical colleges, about which I hope we will hear more today from my noble friend Lord Baker, have made a most welcome contribution to this field of provision. Additionally, in this Parliament, 2 million apprenticeships have been taken up in more than 240,000 workplaces, supporting 170 industries. This, together with the increase and strengthening of apprenticeships to a 12-month minimum, is of inestimable value, both to the prosperity of our nation and to the needs and ambitions of perhaps 50% of our young people.

Critics cannot decide whether to deplore the slow pace of subject reform, which is due to the careful consultation which the Government are, quite rightly, undertaking, or to deplore the fact that the Government are leading this process. For my part, although I am proud to be a member of the much maligned education establishment, I have no problem with the Government leading such an exercise, as they did in the 1980s when the national curriculum was introduced under the leadership of my noble friend Lord Baker. What is passed on in education must be the responsibility and will of the whole society into which those young people will take their place. So it is, indeed, politicians and the Governments they lead—who are the representatives of society—who rightly determine the main framework of what is offered, but with expert educational and academic advice supplying the detail of what should be delivered and how.

This, of course, leaves the issue of how the curriculum contributes to the all-important transmission of values and the building of character. I confess to serious concerns about the fashionable belief that PSHE will do this alone. It is, of course, a valuable part of the curriculum if, and only if, it is well taught. In the compass of PSHE, some direct teaching about and discussion of topics such as healthy living, safety, personal relationships and social issues can be achieved. In some schools, the responsibilities of citizenship are also explored within PSHE. Other schools teach this in other subjects and other ways, but the building of character and the transmission of values must be the responsibility of every teacher and every adult in the school. Values are implicit in the way teachers interact with each other, with their pupils and with the parents of those pupils. They are explicit in the school's rules, the respect for the environment and the way discipline is administered. Most of all, the way in which each pupil is made to feel valued and respected, regardless of race, creed, class or ability, is the most powerful conveyor of the values of the school. With the trust

and freedom given to heads and teachers by the Government's reforms, this will be easier than ever to ensure.

There is one important area where I have to record my concern that reform has not gone far enough. Ofsted has, in part, changed and improved its methods under Sir Michael Wilshaw's leadership, but it still needs radical change to command the trust of teachers, heads and the public. I hope that change can be brought about to improve the quality and reliability of Ofsted judgments and the quality of its relationships with the profession. It is too important to be left untouched.

I have left until last the reforms of structure which this Government have introduced. Best known is the academies programme, started by the Conservative Government back in the 1990s through city technology colleges, then embraced, brilliantly argued for and developed by the work of the noble Lord, Lord Adonis, in the previous Government. It has been hugely expanded in the past four years by this Government. I declare an interest as chair of the London Borough of Wandsworth's commission on academies and free schools, which has, I hope, contributed to that excellent borough's success in maintaining warm professional relationships with all the academies and free schools created in recent years.

In 2010 just under 200,000 pupils nationally were already being educated in academies and free schools; by now, there are more than 2.5 million who are or have been educated in these schools. More than 4,000 academies have been started since 2010. In total, 60% of secondary schools and 15% of primary schools now enjoy the freedom of academy status. Many of these now work in close partnerships with others in the same sponsor's chain or with community schools in their neighbourhood. Many are sponsored by independent schools or work in close partnerships with them.

Academies—independent schools which are wholly taxpayer-funded—have total trust in the professional judgment of the heads and teachers who work in them and free them from the bureaucracy of government, both local and national. Most maintain high standards of discipline and rigour in teaching and learning. Most offer rich programmes in the arts and extra-curricular activities and have raised expectations of pupils. Sponsored by a variety of dedicated individuals, such as my noble friend Lord Harris, independent schools, livery companies or neighbouring academies, they offer the opportunity for heads and teachers to exercise untrammelled their professional judgment about how the school should be run in the best interests of its pupils. In exercising this judgment, they are accountable to independent governors, to whom the legislation of the past few years has given huge responsibility. This is a model which is still developing. Many sponsoring chains have established overarching governance across the whole chain—this is undoubtedly one of the potential strengths of the model.

Free schools, an initiative of this Government, have allowed communities, charities and others to sponsor and develop new independent schools with state funding. Some 255 free schools have opened since 2010 and 107 more are approved to open in the future. One of

the very earliest opened about 100 yards from my former home, so I was fortunate to watch the enthusiasm and energy of the parents who worked so hard to bring it to fruition. I pay tribute to the noble Baroness, Lady Morgan, another neighbour, who worked tirelessly to see the school opened on time. Bolingbroke Academy has been a huge success, attracting applications in great numbers from across the borough.

When fully open, free schools will offer 200,000 places, of which the vast majority are in areas facing a shortage of school places. Additionally, 50% of these schools are in the 30% most deprived communities of the country, while 70%—in contrast to what is often claimed by their critics—are in the 50% most deprived areas of this country. Although it is early days, Ofsted's judgment of these schools is a testimony to their value. Some 71% of those inspected are rated good or outstanding, far beyond the very few which have caused concern and which the press have so rejoiced in publicising. These schools have already proved innovative and exciting additions to the national scene. They have also, as it was hoped at the start, driven up standards in their neighbouring schools.

All these developments are greatly to be welcomed. From a system which left far too many of our young people's talents undiscovered and undeveloped, we have a new system in which the dream of a good school for every child is slowly being realised. No one who cares about the long tale of underachievement which has so bedevilled our educational performance can fail to be supportive of all that is happening. I wish that the teaching unions, whose hearts, I know, are wholly in the right place, would put aside their objections and embrace a change which has had cross-party support for several years. It is the teachers who are delivering the magnificent successes of the recent reforms, and I can do no better than to end with my whole-hearted admiration for that most noble of professions and all that its members daily deliver in our schools. I beg to move.

2.18 pm

**Baroness Massey of Darwen (Lab):** My Lords, as one member of the education establishment to another, I congratulate the noble Baroness, Lady Perry, on giving us the opportunity to debate the concept of progress and reform in schools. She is a very brave woman to do so, because both are clearly contentious and take time, as she said. I simply call into question some of the means of reform, but I prefer to look on this debate as a time for reflection on what we mean by good education and what we want for our children. The ways of going about that may be different, and I certainly have concerns about some reforms, as, indeed, does the new report from the House of Commons Education Committee, which shows some inconclusive results.

I could have focused on various aspects of reform in education that I find disappointing. I will name some: league tables, which this morning were called a mess; planning for primary school places; the upside-downness of education—surely it would be more worth while to pump money into the early years; problems with admissions policies; the focus on testing and examination results; the neglect of careers advice;

and the negative impact of some reforms on teacher morale. There are a lot. But I am not going to make that speech.

Instead, I will focus on some principles on which, in my view, educational reform should be based. The noble Baroness, Lady Perry, and I agree on much of this; it is how we measure it and carry it out. First, as she says, there must be a focus on the well-being of children—all children. That means liaison between schools and other local services and with communities. Teaching should be exciting and inspiring, not as what one teacher described recently as, “In years 10 and 11, we focus on redoing old exam papers to try to improve grades”. That is very sad. It is not teaching; it is not learning. Teaching and learning are about curiosity for life—a broad education covering artistic, academic, sporting, spiritual and moral aspects.

Governments have always dodged making social education—I do not call it PSHE—a central platform of intervention and therefore compulsory. I agree with the noble Baroness, Lady Perry, that it is not just a subject. It should be an overriding concept, visible and understood. It should include pupils learning about themselves and others, and about emotional and health concerns. More than anything else, pupils should be given the confidence to be learners.

Nicky Morgan, the Secretary of State for Education, said in a speech last year that education should be “life transforming” with a system that,

“breaks down barriers and narrows inequalities”. That is all very well and I agree. But she rather smeared that vision with remarks about subjects being unequal in the curriculum. As my noble friend Lady McIntosh said in a debate three weeks ago, Nicky Morgan seems to have gone back to redefining two cultures in society—science and arts—with science, technology, engineering and maths keeping options open and unlocking doors, and the arts wafting away somewhere in the distance. That is not a principle for education. Children and adults do not come in bits and this is quite a dangerous concept. The CBI has said that what industry wants are young people who are “rounded and grounded”.

I know it is dangerous to list the purposes of education but the Government speak of one purpose from time to time—social mobility. If that is so important, we are not doing very well at it. As was pointed out in our debate on early intervention, the OECD and the Office for National Statistics say that we have low levels of intergenerational earnings mobility. In fact, we have the worst performance, way behind the Nordic countries, Canada and Australia.

I do not think that we can, or should, base education on specific targets. That is short-term and will not produce individuals who gain well rounded skills. It is well known that schools that focus on developing the whole child produce better academic performance. Yet teachers talk of bureaucracy, mechanics and the lack of time being a problem. They also talk about the collapse in some areas of subjects such as music and drama, which inspire not only creativity but self-discipline, self-confidence and working in teams.

Yesterday, the Minister did not have a great deal of time to respond to my Question about free schools and faith schools. I have enormous concern about this

[BARONESS MASSEY OF DARWEN]

government reform. Not only do I worry about unqualified teachers, I worry about school ethos. I worry about standards. Some Ofsted reports have been damning. I worry about the consequences to society of there being more of these schools. Quite simply, they are divisive. Four out of five Sikh schools have no white British pupils; eight out of 15 Muslim schools have no white British pupils. A colleague of mine from Northern Ireland often says, “Have we learnt nothing?”. Yet the number of such schools is allowed to increase, while the Government want to teach more about British values.

The report on academies and free schools published yesterday by the House of Commons Education Select Committee is thorough and well evidenced. It points out that some research has found no benefit being brought about by having more autonomy in the education system, with competition as the driver. The OECD concluded that collaboration is the key to successful systems. These findings are in a section in that report called, “Raising standards across the local area”. The NFER research found that:

“Pupil progress in sponsored academies compared to similar non-academies is not significantly different over time”.

To return to my point about free schools, schools that have been damned by Ofsted have often been open for longer than a year. What damage has been done to the children in those schools in that time? Millions of pounds have been spent on reform—I do not know how many; perhaps the Minister does—for results that seem inconclusive and can be dangerous. We now have a system that is disjointed between educational parts and from communities. I have to ask the Minister: has it been worth it? Would the vast sums of money, if we are talking about real education, not have been better spent on improving existing schools? By all means, insist on strong leadership in schools—that is key—but I cannot accept that the wholesale destruction of a system and the creation of uncertain alternatives can be justified.

2.26 pm

**Lord Storey (LD):** My Lords, first, I thank the noble Baroness, Lady Perry, for giving us this opportunity. It is almost like an end of term report. I feel that I should write a comment saying, “Satisfactory—could make progress”. I feel very conscious that I am standing behind, in my view, one of the greatest educational reformists we have had: the noble Lord, Lord Baker. As a young teacher, realising how important a national curriculum was, and how important training and training days were for teachers, I never in my wildest dreams thought I would be here.

I want to reflect on a number of issues. First, we are talking here about the English education provision. We are not talking about Scotland, Wales or Northern Ireland. I also want us to remind ourselves that every parent wants the best for their child—the best type of education, the best school—and presumably politicians want to reflect what parents want. We talk a lot about social mobility, yet the plain fact is that as the children who are the most disadvantaged, as perhaps measured by eligibility for free school meals, move through the school system, they achieve less and less in terms of

academic performance. That is a fact. Despite all our schemes and all the policies, the most disadvantaged children, as they move to key stages 1 and 2, secondary school and GCSEs—and then even to universities—remain disadvantaged.

What do we do about that? Surely that is the hub of what we should be about. I think we had the answer in the debate we had a couple of weeks ago: it must be about the early years and early years provision. If we can get it right at a young age, if we can get those young children reading and sharing a book with their parents, if we can get them recognising letters and numbers at an early age, all the research shows that they are away.

Yes, we can be proud that this Government have brought in 15 hours of free early years provision, and extra for the 40% who are most disadvantaged. Hallelujah, there will probably be a bidding war between the political parties in their manifestoes as to who can offer the next stage of more free provision. That is great. Early years education is important, and this Government have recognised its importance—not just the provision but the quality. That is why I welcome the creation of the new leadership roles in early years and the new qualification for early years providers.

We spent a lot of time discussing the Education Act 2011. I do not think that it really moved us on. The most progressive legislation in this Parliament must have been the Children and Families Act, which was a real game-changer, particularly for children. The introduction of education, health and care plans showed a real joined-up approach. My noble friend Lord Addington has, rightly, spent most of his career talking about special educational needs, particularly dyslexia. He was very pleased that that moved us forward. That was an important piece of progressive legislation. Perhaps when my noble friend replies, she will tell us how we are going to review how the provision of those plans worked in practice.

One thing that has helped the most disadvantaged is the pupil premium, which has had a positive effect on schools identifying children from disadvantaged backgrounds and giving schools money to spend in a whole variety of ways—not straitjacketing them by saying, “You will spend it on this”, or, “It must be on that”—but allowing schools and school leaderships the freedom to say, “This is how the money will be spent in our circumstances”. It could be booster classes, mentoring, and so on and so forth.

It is encouraging that the DfE has published statistics showing that the proportion of disadvantaged pupils achieving the expected level in literacy and numeracy has risen from 61% to 67%. Perhaps the pupil premium is having a real effect. Again, I would be interested to hear from the Minister how we can continue to monitor the impact of the pupil premium. There is also an opportunity to take the good practice of the pupil premium into early years. My party believes that we should develop a pupil premium for early-years provision.

Of course, the money for the pupil premium is based on free school meals, which brings me to a particular reform by the current Government that hardly gets a mention, but which is really important. It

is the provision of meals free of charge to all infants. Never mind the saving to a family with two children—about £900 a year—it is the other impacts that are hugely important. As a head teacher, I always sought to make the school an environment of peace, respect and camaraderie. Free school meals helped children to eat a healthy, hot meal while socialising with each other—an incredibly understated aspect of a child's cognitive and behavioural development.

The third focus of free school meals is the possibility of expanding the policy to ensure that all young people throughout their years in the education system receive that support. In accordance with that, disadvantaged students at sixth-form colleges and further education colleges in England are guaranteed free school meals. Additional funding is being provided for Wales, Scotland and Northern Ireland—but, as I said, education is a devolved issue, and it will be up to those running schools within the different nations to decide whether to spend the money on free lunches.

Nevertheless, the evidence is promising. In summer last year, an Ofsted inspection report highlighted that of 171 schools sampled, the attainment gap between free school meal children and their peers was closing in all 86 schools judged by Ofsted to be good or outstanding in overall effectiveness. In 12 of those schools, the gap had narrowed to virtually nothing. Of course, those schools where standards could be improved continue to need support. I hope that that will follow.

I mentioned the Children and Families Act. In my last couple of minutes, I do not want to talk about academisation programmes; I do not want to talk about free schools, which have mushroomed—

**Lord Gardiner of Kimble (Con):** I apologise for interrupting, but there is absolutely no slack in this debate. The moment that the clock shows eight, the Minister starts to lose time. I apologise, but it is very important. I hope that the noble Lord will conclude.

**Lord Storey:** As the clock has moved to eight, I will sit down.

2.35 pm

**Lord Baker of Dorking (Con):** My Lords, the most interesting reform that Michael Gove introduced was to allow schools to be set up independent of local education authorities. In the past, only existing schools could contract out of local authority ownership, which was promoted vigorously by the previous Labour Government. Having done that, they provided a framework for new ideas to come forward. The team that has been working with me has been able, as a result of that, to establish a network of university technical colleges across the country—or parts of the country. At the moment, we have 30 open and another 30 about to open, so we are no longer an experiment, we are a movement. At the moment, there are 7,000 students at UTCs; next year, there will be 15,000. When they are all operating fully, there will be 40,000 students.

Why are they so popular? First, we find that young people are very attracted by a 14 to 18 period of education, a period of their lives at school. At 13 or 14, so many of our youngsters are disengaged from

their schools. They are not learning anything which they think will help them in their life after school; we are very focused on life after school.

I am not alone in favouring the age range of 14 to 18. Michael Wilshaw, the chief inspector, has repeatedly called for more specialist colleges in our society from the age of 14. The country that has the lowest level of unemployment in Europe is Austria. In Austria, they stop the national curriculum at 14 and have a series of specialist colleges, technical colleges, liberal arts colleges, catering colleges and accountancy colleges. They have the lowest level of youth unemployment. As the author of the national curriculum, I now favour the national curriculum stopping at 14 and having a series of specialist colleges.

Why else are they popular? Their working hours are 8.30 till 5. You might think that many students would not like that. Yes, initially, but once they have got used to it, they are rather proud of the fact that they are coming in for so long while their friends at their former schools are leaving at three o'clock.

What makes the students really interested is that for two days of the week, they are designing and making things with their hands—with metal, wood, plaster, rubber, all sorts of things. I strongly believe that you can learn by doing as well as studying. In a phrase, I would say that the object of UTCs is to produce an intelligent hand. It was the intelligent hand that created the industrial revolution in our country. No great figure in the industrial revolution went anywhere near a university, but they had intelligent hands.

My last point is that when those students are working with their hands, they are working on projects and in teams. Teamwork is very good experience for youngsters. It is not common in most schools. You cannot learn history, French or German in teams, but you can learn when you are working on mechanical projects. Working on a team is a growing-up process, and the team will change every six weeks or so. Also, when students are working in teams, companies come in to teach them. Rolls-Royce comes in to give them lessons for eight weeks on piston pumps; Network Rail comes in to teach them for eight weeks on level-crossing gates and signalling. The students like that. They like to talk to real business people—businessmen and businesswomen. Again, that is an element of maturity.

These schools are dedicated to employability. We are very proud of the fact that when students leave UTCs—so far, we have had seven UTCs with leavers at 16 or 18—we have had no NEETs. Every student either has a job, an advanced apprenticeship at 16, is staying on at college to do A-levels or BTEC-equivalents, has got a higher apprenticeship at 18 or has gone to university. That pattern should spread throughout the whole of our educational system. The target for every school in the country should be no NEETS, and we are achieving it.

What have we learnt that would be of use to others? First, we have proved clearly that at 14, students are quite mature enough to decide where their interests lie. That has always been questioned in the past: are they going to make a decision too early in their lives? To begin with, because for 60% of the time they are doing GCSE subjects, they are having a general education. If

[LORD BAKER OF DORKING]

they have made the wrong choice they can change but we have hardly any of those. At 14, they know what they want to do. This generation at 14 is more mature than my generation was, way back when I was 14.

Secondly, we have very high attendance rates, which are very encouraging, because the students find it worth while to come to these colleges. Some of them travel as much as 90 minutes in the morning, then 90 minutes in the afternoon and evening to get home. That means they are very tired indeed. Incidentally, we do not have homework, which is interesting because they still get very good results without it. We also treat them as adults at 14; they wear business dress to school, like we are wearing today, and they are given an iPad or a tablet. Their whole instruction is a much more conversational method of learning than the usual school has. It is a very effective method of teaching.

The other big win is that we get strong support from companies. We do not just ask them, “Can you take the youngsters to see your factory or business on a Friday afternoon?”. The majority of the governing bodies of these colleges are from universities and local businesses. They control the college. We ask them to devise projects of one sort or another for each eight weeks. We usually have five eight-week terms. For example, in Reading, the college is doing only computing and has great support from Cisco and Microsoft, but another company supporting it is a design company which is designing the new Reading station. It has given a task to the students, asking, “Can you design it better than us?”. For the students doing computing and computer-assisted design, that is second nature. They are into this and are coded up. That is a very good example—they are trying to design a better station than the company.

Another thing we have learnt is that what we are trying to do—the real purpose of these colleges—is to provide a different pathway of success. The present education system in our country is dominated far too much by having three A-levels and going to university. We now have 49% of youngsters going to university and, as a result, very high levels of graduate unemployment. Something like 30% of those who graduated in 2012 are working in non-graduate jobs, even at this time. So we are saying that there are other pathways of success, which will be just as successful as going to university.

My former PA, who is now a Minister, is about to get up to say that my time is up. I welcome him to his position on the Front Bench. I was saying that this is a different pathway of success and one of the things about the nature of education in the next 20 years in our country is that we have to create many more such pathways. Local authorities are coming to us and saying that they want a UTC alongside their comprehensives—or a career college which does catering and hospitality, similarly to UTCs—to offer all that other 50% a real chance of making their lives infinitely better.

2.43 pm

**Lord Knight of Weymouth (Lab):** My Lords, it is a great pleasure to follow the noble Lord, Lord Baker. I remember that when I was Schools Minister, some years ago now, he came to see me with Lord Ron

Dearing to ask whether I would give the green light to the first pilot UTC in Stoke. I was delighted to do so and I am delighted to see how successful those institutions are. Incidentally, I agree with the noble Lord about ending the national curriculum at 14. I was also amused by his “intelligent hand”. Perhaps in this digital economy, it is intelligent digits that we need as much as a whole hand. I want to talk today about three things: academies, world-class teachers and that topical subject of grit.

First, on academies, I had some responsibility for those in the past when working with my noble friend Lord Adonis. We were seeking to target interventions where communities had been failed for generations by local authority schooling. The academies sponsored, in those days and still now, by the noble Lord, Lord Harris, are good examples of those. But in the last few years we have seen academies scaled and, most recently, have had the report from the Education Select Committee saying that they make no difference. I pay tribute to the other Minister, the noble Lord, Lord Nash, who might have been in his place, in that he has at least rescued the academies programme from where it might have gone in trying to scale so fast. Given what has happened to some of the very large chains such as AET and E-ACT, that he has tried to scale some of that back is testament to that.

I think the noble Lord, Lord Nash, would agree that in the end, the heart of a successful academy programme is, as I remember from my time, getting the governance right. That is why I think that this Government have made mistakes in trying to scale so quickly, because we are not yet able to see the reforms to governance at scale which we need. One of the things that the next Secretary of State, which I obviously hope will be a Labour Secretary of State, will have to deal with quite quickly in May is how we ensure that every school in this country has strong governance arrangements.

The Government also started their time with a White Paper entitled, I think, “World-class teaching”. Here I refer your Lordships to my entry in the register of interests, in particular my full-time employment as the managing director of online learning at the *TES*. Clearly, the *TES* has considerable interests in teacher recruitment, and now in online learning. One thing that that White Paper did was to set up the School Direct system for recruiting and training teachers. There was logic to that in terms of transferring over the thinking behind training for hospitals but it was in many ways trying to solve a non-existent problem, in so far as we were recruiting teachers well up to that point.

Last year was the third year in which we have been underrecruiting teachers. We now have an accumulated 6% deficit in the number of teachers that we need. If you go to the shortage subjects, there is a 67% shortfall in the physics teachers who are being trained and an 88% shortfall in maths teachers being trained. This is reaching crisis levels, particularly if you are seeking to recruit in the more peripheral coastal areas of this country, to which we are rightly paying some more attention given the underperformance of white working-class children. It is really hard to recruit maths teachers into some of those schools. We are simply not recruiting enough.

Add to that now the expansion of international schools, who really value English-trained teachers. It is projected that in the next five years there will be another 370,000 teachers needed by international schools around the world, and probably a third of them would ideally be recruited from this country, according to those employers. That will make another demand on teacher supply, so the biggest problem which the next Secretary of State will inherit is teacher recruitment. The next Government will need to look at more realistic allocations for School Direct and give the universities more security for their departments of education, which some of them are withdrawing. They will need to revive qualified teacher status—a cause which my honourable friend Tristram Hunt has been championing in the other place. They will also need the big TV advertising campaigns that motivated and inspired many people in the past. Every time we have had this problem, TV advertising has solved it in the end by motivating people to become teachers.

However, I welcome the current interest in CPD. Building on the legacy of “Baker days”, we need to ensure that CPD is done more rigorously across all schools. A recent survey commissioned by *TES* from YouGov showed, shockingly, that 13% of secondary schools are not spending anything on CPD at the moment. We also found that only 25% of classroom teachers have any training plan for their own development. That is a shocking waste of teaching talent and it should be put right.

Finally, I want to talk about grit. I very much enjoyed listening recently to a New York writer called Paul Tough, a great name for someone talking about grit. He talked also about the F-word—failure—and that if you are going to inculcate resilience and character as part of your education process, you need to introduce a tolerance of failure to strategise and learn from failure. That is not something that comes easily into our education system.

In order to incentivise us all to do more around character and grit, we need to embrace the forms of assessment that work well in respect of those characteristics. I am appalled that, on 17 December last year, the department revealed plans to downgrade, in the next set of performance tables, skills-based qualifications centred on personal effectiveness, including the Certificate of Personal Effectiveness awarded by ASDAN, of which I am a patron. Worse than that, the Secretary of State said that she would use her powers under Section 96 to revoke approval for qualifications which assess and certificate student personal effectiveness. That qualification is highly successful, particularly in the niche of very disadvantaged children and those with special educational needs. Even schools in which all children have been using the qualification have been outperforming others in GCSE results. That has been academically reinforced in a study by the University of the West of England. Will the Minister please ask the Secretary of State to write to me and, at least, offer me a meeting to discuss her ill advised decision which will make it illegal for any school to use public funds to carry on with that valuable qualification?

The next Secretary of State should address these ongoing issues and, in particular, governance, teacher recruitment and grit.

2.51 pm

**Lord Forsyth of Drumlean (Con):** My Lords, I am sorry that the noble Lord, Lord Knight, whom it is a pleasure to follow, ran out of time and was not able to praise the magnificent job that was done by my right honourable friend Michael Gove as Secretary of State. I come here to praise him, as a Scotsman, based on my experience as an Education Minister and as a Health, Social Work, Sport and Arts Minister—I did the work of five men in those days—in Scotland in 1987.

Following the magnificent lead given in England by my noble friend Lord Baker, we passed the Self-Governing Schools etc. (Scotland) Act 1989, which provided for schools to opt out of local authority control and for the first technology academies. The late Lord Forte promised to put up several million pounds for a technology academy in Glasgow, but Strathclyde turned it down because it was worried that it would cream off pupils from its local authority schools. The unions, the Labour Party—and the Liberals—fought tooth and nail against self-governing schools. Eventually, we got two: St Mary’s in Dunblane, which subsequently became the best primary school in Scotland, and a secondary school in Dornoch. On the creation of the Scottish Parliament—I am sorry that the noble Lord, Lord McConnell, is not in his place—its very first act was to close these schools down and return them to local authority control.

It is interesting that we have had a little bit of sniping in this debate about the success of Michael Gove’s initiatives, but the Labour Party have little to offer in return. Looking at the history in Scotland, I can say that when I left office as Secretary of State for Scotland in 1997, the number of pupils who got five good grades at school-leaving age was 10% higher than in England. Today, that position is completely reversed; Scotland is now 10% behind England. If anybody doubts the success of the reforms which have been carried out in England, and wonders what England would be like if it pursued the kind of policies being advocated by the Benches opposite, they can look north of the border and see the very dismal effect.

Listening to the noble Baroness, Lady Massey, who is not in her place, I just thought, “I have heard all this before”. The opposition to schools having more freedom comes back to the same old arguments.

“But facts are chieils that winna ding”,

is a good Scots phrase, and the facts, I am afraid, show how successful schools can be if they are given autonomy and freedom. That was way back in 1989, 26 years ago. Think how many generations of children have been denied opportunities and the chance of a great education thanks to the ideological opposition of the Labour Party and the trade unions. I have noticed that, when attacks on our new schools come from the Benches opposite, they talk about “unqualified” teachers. What they mean is teachers who are not union members. They are singing the union song—the same song that was used to campaign against those schools in Scotland.

I am very much looking forward to the speech by my noble friend Lord Harris of Peckham. In the 30 or more years that I have been involved in politics, one of the most inspiring days was when I visited, at the invitation of my noble friend, some schools in London which were part of the Harris academy group. We

[LORD FORSYTH OF DRUMLEAN]

went to Purley, Bermondsey and Peckham and it was just fantastic to see what was being done there. It was seen not just in terms of the amazing improvement in the academic results, but in the classrooms, where every child was in uniform—they say, “Good morning”, when you go in—and in the silence as they beavered away at their work. It was in the answers to questions: “What is the most important thing this school has done for you?”—“It has given me confidence”; “What do you feel about the school?”—“I feel that this school is committed to me. This school has made me realise I can do things I thought I never could do”. I am not saying that every state school in another form is not the same, but I cannot understand the Harriet Harmans of this world sniping at these schools and making difficulties for them when they are transforming the lives of their constituents.

How does this work? What is the magic? There is no magic. It is the same as in business or any other walk of life. It is about leadership, autonomy, diversity and flexibility. It is about having high expectations of each and every pupil and it is about discipline. I feel some frustration that it has taken so long to make this progress. The noble Lord, Lord Knight, is complaining that we are going too quickly; at this rate we will all be dead before the project is finished. My noble friend Lord Baker, who is 80 now, is going up and down the country setting up these university technology colleges with enormous success. There is no time left for prevarication on this. We need to get on with it.

I am told the election campaign is going to be all about the economy. Well, I am fed up of people banging on about the deficit. There are many aspects of this coalition Government which I do not like very much but there are two great successes. One is Michael Gove’s period in the Department for Education and the other is Iain Duncan Smith’s period in the department for welfare. Both of them have ended up pretty unpopular. Yes, you end up unpopular if you take on vested interests and fight for the interests of the people of this country who share our values and beliefs. At the end of the day, our country and economy will succeed, not because of policies in the Treasury or initiatives by politicians, but because we have a workforce with the skills, attitudes, disciplines and ideas to operate in a global economy. That is what these academies and the schools that have been created by this Government are going to achieve.

2.58 pm

**The Lord Bishop of Ely:** I am very grateful to the noble Baroness for securing this timely debate, not least as I have just taken over as chair of the Church of England’s National Society, which is responsible for our schools. We talk about urgency and the long term, and our picture goes back until at least 1811, with the foundation of the National Society. We have planted thousands of schools, determined that every child in the country should have access to a decent education regardless of their capacity to pay for it. The church continues to want to be involved in the reform and improvement of education across the board, not just in church schools but across primary schools, community schools, secondary schools and the university sector.

At the last count, 60% of our Church of England secondary schools had, following the national statistic, become academies. I pay tribute to the diocesan boards of education, head teachers and school staff who have made dramatic and impactful efforts in improving these schools for the sake of their pupils. I cite the example of a cracking diocesan academy, the inspirational John Wallis Church of England Academy in Ashford in Kent, a three-to-19 academy that is having a really transformative impact on the whole community. In my own diocese, we are blessed with a very fine multi-academy trust board, which is the second largest local academy group in our region and the fastest-growing in the primary sector. We are determined to go further with expansion, but we remain fully committed to our schools that remain outside the multi-academy trust.

I know that the Government have been frustrated by the pace of academisation in the primary sector, but it is vital that we recognise that this might not be the right way for all schools. Last year we published a report on securing rural schools into the future. Its key recommendation was that our schools should be more imaginative in collaborating with each other, sharing different sites for different purposes and adjusting to the shifting dynamics of local populations, precisely so that we can continue to serve the most disadvantaged in our society, often in the hidden poverty of the countryside. I am pleased to be able to say that around the country in rural areas we have excellent executive head teachers leading clusters of schools towards greater school effectiveness and community engagement. It is crucial that schools remain as a presence in our rural communities, even if they are small, because otherwise we might have a lot more anonymous dormitory settlements for people who do not live where they sleep.

I know that the subject of free schools has become a controversial one and therefore somewhere that bishops should tread lightly, but I would like to share our experience of them. There are now a modest handful of Church of England free schools open and running, with more in the pipeline. Good relationships with a number of regional school commissioners have enabled us to use free schools to bring to whole new communities our offer of a distinctive, quality education based on a strong Christian ethos. This is very important for us in the Church of England because we have always been committed to ensuring that our schools serve people of disadvantage in any part of our society.

Demographic change is upon us and spurs us to seek to establish new schools where we see community need. Free schools have provided our diocesan boards with the option to seek out for themselves new ways of serving those in areas suffering multiple disadvantage, and for that we are very grateful. However, success in implementing policy is not enough; neither the current Secretary of State nor her predecessor will be satisfied if history recorded them as having revolutionised only the governance of our schools—even though, as we have heard, that governance is vital. For all of us, the much more pressing concern is whether or not these reforms have made an impact on the future that we are preparing with our children. The truth is that it may be too early to tell and we should take a long view. I note with interest the measured report from the Select Committee. Like the committee, I would not want to

rush to too many conclusions. However, even with the reticence I might have about the impact of the reforms so far, I am much more concerned not only about ensuring that standards are high but, as we have spent the previous 20 years trying relentlessly to improve those schools' performance, about asking how we test the standards themselves. What are we asking teachers under those standards to do, and why?

I am particularly grateful for everything that the noble Lord, Lord Baker, has been doing around the development of UTCs and for his reminding us of the profoundly vocational nature of education. I applaud that and hope that the church may become much more involved in the promotion of this model. As we celebrate the vocation of our children and young people in educational development, so alongside that we celebrate the vocation of our teachers. As we celebrate that noble vocation and put more effort into understanding its value, so I am sure we will increase the number of people prepared to offer themselves sacrificially to that profession.

I am delighted that both the Government and the Opposition have begun to talk more convincingly about character education, because this is a way into the conversation about what really matters in education. There can be no question but that we hope that children will become economically productive, become successful in employment and secure prosperity for our country. We need them to be literate and numerate. However, that cannot be all that we hope for. In our schools and colleges we forge partnerships with parents to begin shaping the citizens and communities that we wish for the future. How successful are our schools at integrating young people from different backgrounds? How successful are they at equipping them to make difficult decisions about themselves and others throughout their lives?

We want children who demonstrate not only personal resilience and academic ambition and curiosity but steadfastness in their service to others, commitment in and to their relationships and the courage and integrity to speak out against injustice. We need to do further work on weaving the development of emotional, spiritual and social intelligence into the whole curriculum so that, as we have heard already, all teachers—all the stakeholders in our schools—are responsible for helping the children to understand that, across their lives, their integrity, their purpose and their hope count. Like so many, the church will continue to explore what the new policy landscape means for the long-term future of education. We will all continue to debate the success of reforms in this Parliament, but I hope that as we do so we keep one eye on the bigger purpose of a holistic, smart education, which is our greatest investment in our future.

3.06 pm

**Lord Harris of Peckham (Con):** My Lords, I thank my noble friend Lord Baker for talking me in 1990 into opening a CTC school. That school is the most popular in the country, with 3,500 applicants for 180 places, and it has been found outstanding by Ofsted for the past 12 years, so I thank him very much. I also thank my noble friend Lord Forsyth for his very kind words.

I support the programme on academies. We had a lot of problems two years ago in Tottenham, where the local authority, the Labour MP and lots of parents were against us, but Michael Gove was powerful enough to take them all on and ensure that we gave those children at a school in Tottenham a better education. Two years ago we took over that school and changed it; we changed the principal and 50% of the teachers. Last July the school received a good Ofsted. We now have over 600 applicants for 60 places. The school is one the most popular in Tottenham, and we are very proud of what has happened there. What is that down to? It is down to the teachers, the principal, the support staff and the children who want to learn because in life they get only one opportunity. Of course, the parents are helping as well now; they want to go to that school. I really thank Michael Gove for fighting to ensure that that happened.

Another school that we took was Greenwich. Three years ago Greenwich had a GCSE pass rate of 23%; last year it was 70% and, after two years of being a Harris academy, the school was made outstanding. Another school, Coleraine Park in Tottenham, had been in special measures or failing for 20 years. After two years—under two years, actually—the school has had an outstanding Ofsted. Some 50% of its children are on free meals. We are proud to say that it is the most improved academy in the academy group as well as the most improved primary school in London. As I said before, that is down to the teachers, the principal and the support staff. The support staff make a difference to a school: they tidy it up and make sure that it is clean and everything is ready for the pupils. We do not talk enough in this country about support staff who make things happen. It is not just about one person; it is about a team working together.

I was really touched when I went to a Christmas performance—and it was the first one they had had in five years—at Coleraine Park. It was fantastic. Even more touching was that in the summer the pupils raised £240 at a fair from the stuff they had made. At Christmas, they made cakes and raised £260. Those children gave £500 to Crisis at Christmas, and that gave 40 people, who were in trouble at Christmas with nowhere to go, a good Christmas meal and a better time than they would have had. I think that is fantastic. All our schools, on average, raise £5,000 a year: that is nearly £80,000 or £90,000 to give to charity. This teaches young children, from the age of seven to 18, that there is more in life than just doing things for yourself: it is to help others as well. That is the ethos of all of our schools.

Most of the children at Coleraine come from very poor families. One thing that proves that these schools are successful is the attendance. We do not talk about attendance enough. Coleraine's attendance was 87% two years ago: it is now 96%. Children go there because they want to learn, and they know that when they learn they can get outstanding results. If any noble Lords would like to look at the UCL training website for pupils in primary schools, they will see that all our children from Coleraine are on that programme. All our primary schools are linked with UCL and our

[LORD HARRIS OF PECKHAM]

secondary schools are linked with King's College. Anyone who gets the grades is guaranteed a place in King's College.

I would really like to thank Michael Gove for what he has done in giving us the opportunity to open previously failing primary schools. Two and a half years ago, we decided to go into primary schools. The reason why was that, when some of these children came to our secondary schools, 10% of them had a reading age, on average, of seven to eight. That put us behind, so what did we have to do in these schools? We had to separate those children, put them into one class, teach them all their lessons in that one class where they did not feel out of place, and a year later they came out and went to the normal classes. That makes them successful. When I speak to them as I go around the schools, I ask them, "Why have you done better?". The answer is simple: confidence. They said that at 12 years old, they were confident that they could do the work.

We now have 16 primary schools. We took over eight of them as failing and have eight free schools. In the last two years—since we have had them—we got two of those to outstanding, two to good, and four still to be inspected. We are changing the lives of those children; we are giving them an opportunity in life. Peckham Park—which is close to my heart because I used to go to that school—has for the past 30 years either been in special measures or been failing, with very few people wanting to go there. It was called a "dump school". What a thing to call a school for five year-olds. Over two years, we have changed it. Ofsted came in and gave it a good report—good in two years. I assure everyone in this House that I am confident that its next Ofsted report will mark it outstanding.

What do we do to change our schools? This is very important. First, we take over a school; we interview everyone in the school. Then we get our own inspection team, having paid a private individual company. The inspectors spend two weeks in the school—not two days, like Ofsted—and they come back and report to the chief executive or the principal about who is good, who needs training and who needs to be replaced. We do that at every school. We then go back six months later to make sure that the principal has agreed to the recommendations and has acted on them. We have an outside team from our central office that goes around the schools, four experts who go into different subjects in primary schools and four in secondary schools. That is the reason why we are successful: we follow up what we do; we want to do more because our belief in the Harris Federation is that a child only gets one chance and we want to make sure that they get the best chance possible.

3.14 pm

**Lord Addington (LD):** My Lords, I thank my noble friend Lady Perry for bringing this subject to our attention. I would like to follow on from where she finished her speech, talking about teachers. When you are talking about education, you are trying to get to a situation where a teacher can deliver properly to—shall we say—their customer, their client base. Most of what we do here is to discuss the best way of doing

that. If this is taken as the basic principle from what we are getting on to, making sure that the teacher is properly prepared to do the job is the most important thing that we can do.

We have spoken often here about teacher training and I usually come back to the same point. When I talk about people failing because they have learning patterns that are different, I am talking about the hidden disabilities. I do not think anybody will be surprised when I raise the subject of dyslexia, but we can also add in dyscalculia, dyspraxia and autism, which are not obviously recognised. They are the run-of-the-mill cases, if there is such a thing—the people who are not screaming out that they have a problem. Unless we train the teacher to spot and recognise and help those people, we are guaranteeing a level of failure that is avoidable. There are just no two ways about it.

I will refer to dyslexia now. My brain, along with those of other dyslexics, has a problem with its function within the language area which means that I do not pick up certain skills very easily. I pick them up more slowly: I always have and I always will. That means that, unless you train somebody how to recognise the different learning patterns, those children are always going to be at a disadvantage and potentially damaging to the entire system. You are taking on a natural resource and wasting it. Any structure that you put in place that does not address this properly is going to guarantee failure. Of course, this has improved dramatically since I came to your Lordships' House. You are now on the lunatic fringe if you say that the problem is not there or does not matter. That was not always the case: we have whittled away at this block. Any learning process—any pattern—that does not have a due regard for this will mean that there will be a degree of failure.

Phonics has made a come-back: the way you teach dyslexics is with synthetic phonics. However, I, or another dyslexic, will always pick them up more slowly, at a different rate. The structures and patterns of English—and English is the worst subject in Europe for dyslexics—means that we have two different sets of grammar going back to the Norman invasion, Teutonic and French, with other words put in. The great richness of the English language means that it is more difficult for dyslexics. Therefore, we have to try to get people trained. At the moment, we do not do that. We do not have a really coherent pattern of saying: "You will spot these conditions". Dyscalculics are people who struggle with maths. As maths becomes more recognised as another keystone—and we do not write the problem off with "He can't do maths" the way we used to a few years ago—they will have a different but similar type of problem from people who cannot form words. Different learning patterns being recognised is the vital thing. At the moment, we have not done that.

Scotland—the noble Lord, Lord Forsyth, is not in his place, but I think that we will forgive someone with his work rate—has actually managed to give those going through teacher training programmes a degree of awareness of dyslexia. It is so common that it surely should be there: the Government say that 8% are dyslexic; everybody else says 10% and in America

they say 20%. It is even more common in those areas where people have failed. In the prison system, it is at least twice as common as it is in the general population—some people say five times as common. Unless we get in there and start to recognise these problems with our formal training structures, we are not going to do it. If we need to do this comparatively quickly, we must do it in-service and not just in initial teacher training. There still has not been that great drive towards it.

I cannot help but feel that if we had a royal college of teaching it might be helpful; it could be a driving factor in bringing these things into the training processes, and not only in the universities—they should make sure that anyone who does any form of in-service training should have that sort of awareness built in. We talk about driving up standards and about reaching those groups. We know that dyslexics tend to be on a downward spiral, particularly in a world that now expects more and more qualifications. It is not difficult to understand why; if you cannot fill out a form to get a job on a building site, you end up being unemployed. If we do not address that, we will constantly fail and let them down.

Can my noble friend say when she replies whether there are any plans to try to work this better into the system? It does not matter what other changes have taken place. Also, in the current system, which has got rid of things such as school action and school action plus, we are supposed to have an integrated approach and to check up on how good we are at checking and working so that special educational needs are integrated into the main structure, and better training will make that easier. You cannot expect people to do that without the training to do it. That is ridiculous—“bricks without straw” comes to mind. Unless we take this action here and take a more positive approach, we will make life more difficult for those who do the teaching, which will lead to failure.

That is effectively an open-and-shut case. I do not know why Governments persistently have not done it. It seems to be too expensive or too specialist, or, as has frequently been suggested to me by people involved in the system, Governments are frightened of finding people who might cost them more money. However, unless we start to do that, getting into all those hidden groups, we will always have that hard core you cannot crack, regardless of how you set up your school or motivate it, because the process you are dealing with is more difficult and takes longer. Unless there is practical action here, we will guarantee that we have a small section in schools that will continue to fail.

3.21 pm

**Lord Lucas (Con):** My Lords, my noble friend Lord Addington is quite right—there is a great deal left to do as regards doing well by children with special needs. However, I think he will agree that things are a great deal better than they used to be. When I look at what has happened over the last 30 years I am very pleased by what my noble friend Lord Baker, the noble Lord, Lord Adonis, and many other Education Ministers have done to improve education in this country. It has been a most encouraging time.

I remember that when I first came to this House it was not uncommon to hear noble Lords on both sides of the House say things such as, “What do you expect from kids like them?”. Now we know that we expect the best, and we are learning to do the best—and that is a wonderful process to have watched. It has been a process of two steps forward, one step back, but that is inevitable—it is just human. I get cross with people who pick out individual free schools and say that they have failed. Of course they have. How can you do something like starting a school and succeed every time? No one ever has, in business or in anything else, but the process itself has been an enormous step forward.

This Government will stand alongside their companions in those 30 years as having done their bit for educational progress. I join my noble friend Lady Perry in praising what we have done to examinations. They needed tightening up; we needed to get back to some sense of the importance of breadth. The EBacc is about learning about being a human being, about the importance of the humanities and the narrative of history, understanding something of our place in the world; about having an interest—if you can handle it; I have always found that extremely difficult—in a foreign language. My wife spent 17 years teaching in prisons. To be without those things—without any cultural hinterland or any sense of who you are or where you belong—is enormously disabling, and it is part of the function of schools to give children the opportunity to embrace that.

It is also important to deal with the basics—the previous Government did great things in focusing on reading and writing, and I am very glad that we have continued that. We have extended that into the area of digital skills, at last, and I look forward to that being something we do much more of. The world is becoming digital; digital capabilities will be something that all our children need.

We are not neglecting the hands-on side, either. The Design and Technology GCSE has been given to the engineers to redesign. We will get something real rather than kids making bookends for houses with no books. We will have something there, over the next five years, which turns people on to the idea that their hands are still part of their intelligence, and that there are real capabilities to be encouraged there.

We have also stuck fast with the important fringes such as home education. I count the noble Lord, Lord Adonis, as someone who laid down the rules on that some time ago: that education in this country is about parents, that parents drive it and the state facilitates, and that if people choose to educate their own children, they are exercising their own responsibilities, not doing something that is out of order. It is enormously important to hold on to the principle that it is about the parent and not the state, and we have done that.

We have made it fashionable for schools again to focus on good behaviour. So many problems have been caused by low-level disruption in schools. It more or less became tolerated, but is no longer tolerated. I am proud that we have been part of making that the case. We have carried on with academies: the great project begun by the noble Lord, Lord Baker, and

[LORD LUCAS]

continued by the noble Lord, Lord Adonis. Yes; we now have some challenges to face, given where we have got to, but it still has been a source of great strength.

On university technical colleges, other than all the possibilities that they open up for students whom we have neglected for generations, the idea that pupils and parents decide that this is the education they want is my answer to those of my noble friends who still want grammar schools. No; why should schools choose children? It should be about parents and pupils choosing schools, and anything that goes the other way round just looks back to a failed system.

Where next? There is a great deal for an incoming Government to do. As I and the noble Lord, Lord Knight, said with regard to academies, we need some focus on governance. We have to look at how we will handle the interface between government and all that freedom and independence, and we have to steel ourselves to understand as a Government how to do that without destroying what we have achieved. It will be a period of collaboration. That is now showing through in a lot of attitudes, between schools working with each other and between schools and employers and universities.

We are a little behind Scotland on this, where those relationships are much better established, but I have now been working hard in this area for a year and a half and have several projects running. One of them is called Learning through Experience, the objective of which is to give every child studying A-levels the chance to work on a real project that is directly linked both to their A-level and to a business or university as part of their education. The enthusiasm for that is enormous. It is there in the exam boards, among the head teachers, and in industry. However, it requires government—and this is government's role in collaboration in general—to enable it.

We are hearing the old call for parity of esteem, and it is happening. There are two reasons for that. The first is apprenticeships—again, I credit the previous Government for all the work they did on that, and we have reinforced it. However, the fact that they have continued and have been well looked after is raising the esteem of parents and others for the vocational route. Fees for university are having that effect, too. Parents are seeing real advantages in their children being educated without incurring debt, and that is fundamentally changing people's attitudes. What we have to do now is make the qualifications framework fit for purpose. I very much hope that the next Government will take up and focus on what my noble friend Lord Baker and others are doing.

Teacher esteem is really important. We have already done a lot, by encouraging Teach First and supporting the likes of the Teacher Development Trust—and I hope we will see the emergence of a college of teachers. We are nearly there. It will be a difficult thing to get right, but let us have a go. Last of all, we should gather evidence on what works. There is a wonderful grass-roots movement called researchED, which is getting teachers to do real research on real problems in schools. That is what we have done in the Education Endowment Foundation, and we have a real hope of defeating decades of educational homeopathy.

3.30 pm

**Baroness Stedman-Scott (Con):** My Lords, what an exciting and stimulating debate. If my noble friend Lady Perry were at school today she would get a gold star and 10 out of 10. I am pleased to take part in the debate. I congratulate other speakers on making some exceptionally good points. I want to speak for our young people: my colleagues and I get up every morning to try to make sure they have a better life. I only wish a couple of them could stand with me now and talk to your Lordships about the difference their school and the people who have supported them make. I will do a poor job of trying to do that on their behalf.

Those young people live in a challenging, changing and complex world, and their experience at school and in education must be the greatest investment we can make to ensure that they can live productive, meaningful and exciting lives. Our teachers do a great job: I can only say that all those I have met have been incredibly committed, and they only wish that there was more they could do. We expect so much from teachers. We expect them to teach our young people how to learn, and to teach them the good things about life, such as how to be a good citizen. We also often expect them to make up for the deficiencies that some of those young people find in their home lives. That must be a great challenge.

I have to declare an interest in that I am the CEO of Tomorrow's People, the patron of the Rye Studio School and a newly appointed governor of the Bexhill Academy. I am learning lots. However, it will come as no surprise to your Lordships' House to hear that the three activities that I want to focus on in terms of reforming schools are the following. First, how do we reform school activity to ensure that our young people prepare for life after school? Secondly, how do we help them make decisions that will ensure that they make a good transition from school to the world of work? Thirdly, how do we make sure that young people find their destiny, whether that be in the education system in a university, or working in a garden centre servicing the public. Both those extremes have great value.

There has been a great deal of criticism of the lack of careers advice and guidance in schools. Sometimes there is none at all, and some of the quality has not been great either, but the investment made has not enabled guidance to be given in the way we want. I appreciate that that is a far-reaching and broad statement, but the advice and guidance that our young people get to help them make decisions about their lives has to be the best—and it is important that that is what we give to them.

Advice must be built on what the labour market needs—what employers need, and what the economy needs. I do not want to talk glibly, but I want to say to your Lordships: let us stop training thousands of hairdressers. We need hairdressers—we would all look bad without them—but let us train more engineers too. Let us train them for where the vacancies are—and of course, young people have to be educationally equipped to do that.

I completely concur with what the noble Lord, Lord Baker, said about the age of 14. That is the age at which, we have discovered through research, young

people are ready to make decisions, to take things seriously and to embark on new things in their lives. Something that I have seen and been part of that has made my heart sing for those young people is a model called ThinkForward. Many noble Lords across the House have been to see it, including my noble friend Lady Perry and the noble Baroness, Lady Thornton. The Deputy Prime Minister has seen it too.

ThinkForward means that within a school the teachers identify young people who do not have the systems in place to give them advice and coaching and take them through—the very thing that many of our parents did for us. We have been in 14 schools in east London, young people have had a coach, and they have done phenomenally well. They stand up when someone comes into the room, they speak to people and they can answer questions. In the first year we have helped 1,100 young people, and we have 300 businesses coming into the schools telling them what they need to do to get ready for those jobs. I can tell the House that 85% of the young people we work with have shown a great improvement in their behaviour, their attendance and their attainment, and 95% have not become NEET. My other great passion is that if we can prevent young people from becoming NEET we can save a fortune, and they can enter the world of work after their full education process and become really good employees—which is what we need. Imagine the difference that having a personal coach would make to so many of our young people. I do not wish to give the Minister a heart attack, so please do not worry, but I would like to find a way—please—to give every young vulnerable person a personal coach. That costs money—I am not daft enough to deny that—but there are ways of putting deals together, when businesses are prepared to put their hands in their pockets because they know that it is in their best interests.

I ask your Lordships to indulge me for one minute, and imagine, in this day and age, being 16, and living in a tent in the woods in the Sussex countryside—because you have been a bit naughty, you have played up a lot of people and have not taken part in school, and your parents have thrown you out because you are just too much trouble. Just imagine when that coach comes along and says, “Come on, this is not good enough for you”, finds you somewhere to live, finds out what it is that makes you tick and what you want to do, and that turns out to be working in landscape gardening. Then just close your eyes for one minute and imagine the moment when that person goes with their employer to pick up a gold award at the Chelsea Flower Show. Those are the types of reforms that we would like to see in the system to ensure that all our young people reach their destiny.

3.37 pm

**Lord Whitty (Lab):** My Lords, I thank the noble Baroness, Lady Perry, for initiating this debate and I am sorry to rain on her parade. Over the past couple of days in education the outside world has heard that the Commons Education Select Committee has concluded that there is no convincing evidence for any improvement in standards in academies and free schools. Today we have seen league tables that, on the face of it, show a dip in the improvement in performance. That has

provoked huge rows with every aspect of schools, public and private, and of all statuses, about the validity or otherwise of those league tables. The picture out there is not quite as rosy as we have heard for much of the debate.

Before the noble Lord, Lord Forsyth, jumps in, I can tell him that he would be quite correct to say that I have never been exactly in favour of the academies programme. I have to tell my noble friends Lord Adonis and Lord Knight that I was not a great enthusiast even in their day—but I do support the objective of the Labour Party’s programme, which was to help failing schools, schools whose local authority was failing them, or schools in disadvantaged areas. As we have heard, some of that has worked amazingly well. However, this Government’s approach, from the word go, has been to start with the best schools in a locality and get them out of the local authority system, with the ultimate objective of having all schools outside that system. I find that a very difficult proposition, which, as my noble friend Lady Massey indicated, will lead to greater social segregation—some by religion and race—and to a reduction, not an increase, in social mobility.

The Commons Select Committee has found a more nuanced situation. It has found that some academies have done amazingly well. I am aware of that and acknowledge it. Some have seen a great improvement in pupils’ performance, behaviour, morale and results. However, the committee also found that a large number of academies have not seen such improvements, their pupils have shown a mediocre performance, and that some academy pupils did worse than pupils in maintained schools. Academisation is not a panacea for improved performance, whatever one’s ideological position. I admit that I am instinctively against taking things out of local authority control. Therefore, I do not like the idea of a large chunk of education coming out of local authority control. I should declare my interest as a vice-president of the LGA, but I am not speaking for that body in this context.

Whatever the structure of schools and their governance, one thing that local authorities ought to have responsibility for is ensuring an adequate number of future school places in their localities. They need to have at least a 10-year time horizon for ensuring that the population in their areas can be educated. Other noble Lords have concentrated on performance and results in this changing structure of education, but I wish to look mainly at the planning aspects of this and the result of having a two-tier system—that is, academies outside local authority control and maintained schools. The net result of that is that education policy has become hugely centralised albeit the Government are supposedly committed to localism. Every academy is theoretically responsible for its resources to the Department for Education, the Minister and Whitehall and not to its own local authority.

The Government are also in favour of parental choice. I think that all of us are but the fact of the matter is that because of the lack of planning, which can really only be done at the local level, many parents are not able to get their children not only into their preferred first choice but also into any school within their locality. One in five parents now finds great difficulty in getting their children started in a primary

[LORD WHITTY]

school. Instead of a Government committed to increasing the number of schools and improving their capacity, we have a Government whose first step in this Parliament was to slash the new school building programme. That was ideology rather than forward planning. Free schools are hardly taking up the slack. Fewer than one in five free schools is in an area of high or severe place shortage, according to the National Audit Office, and 30% of free schools are in places where there is no pressure on places in schools, so the allocation of support and the establishment of free schools is by no means dealing with the problem.

At present, there is a squeeze on the number of places in most parts of the country. London authorities say that they will need a further 70,000 primary school places by this year. Schools are already feeling the pinch. Some authorities are having to commandeer mobile homes, police stations, offices and church halls. Alternatively, they are having to increase staff ratios beyond the recommended level and one or two boroughs are considering split-shift sessions, with one group of pupils being taught from 8 am to 2 pm and another in the afternoon. The provision of school places has failed to recognise the demographic pressure in large parts of our urban areas. That will only get worse as the latest estimates indicate that by 2021 we will need 350,000 additional places in secondary schools and half a million additional places at primary level. Who will plan for that? The Department for Education is not planning for it, although it is looking at the statistics passively, and some of those statistics are actually departmental statistics. The local authorities cannot plan to meet this need effectively when a large chunk of the schools in their areas are not subject to their oversight, let alone control.

The fact that local authorities do not have enough leverage means that addressing future shortages of school places is very difficult to do at local authority level. In one context, the Government have recognised that you need an intermediate structure and have invented a new level of bureaucracy and a non-democratic structure with the introduction of the regional schools commissioners. I recognise that the Conservative Party is now in favour of commissars in the same way that the early Bolsheviks were, but you need some democratic control and some intention of providing education in the context of the development of the community as a whole. I am not in favour of local authorities running schools and am in favour of diversity of provision and innovation. However, local authorities need to be in pole position as regards planning for school places and developing the number of school places that are needed in their area. Local authorities have to do that job: no one else can.

3.45 pm

**Lord Farmer (Con):** My Lords, I join other noble Lords in congratulating my noble friend Lady Perry on initiating this end-of-term debate on school reforms.

I want to touch on one aspect of the Government's school reforms which has not been touched on today—namely, promoting fundamental British values. To avoid all doubt, I wholly subscribe to the values of democracy, the rule of law, individual liberty and

mutual respect for and tolerance of those with different faiths and beliefs. How could I not when these values originate from Judaeo-Christian belief, which has been foundational to our own society over many centuries, and, indeed, to my own life?

I cannot lay claim to an A-level in history, but I know that values deriving from these, such as equity, are salient in the Magna Carta, the 800th anniversary of which we are celebrating this year. It is precisely because they come from these ancient foundations that I was a little surprised when in a recent speech the Education Secretary stated:

“Fundamental British values are the attributes that have in this century and the last, made our country one of the greatest forces for good. They're the values that bind us together, that mean despite the many differences in our nation, we're united as one people”.

She may have had very good reason for putting them in that timeframe in her speech, but if they really are such a recent invention, where is their validity? I do not think that we should avoid acknowledging their strong link to a long-standing moral and religious framework, even though many hold to them without those core underlying beliefs. I say this because recent press reports suggest that they may be becoming a stick with which to beat Christian and Jewish free schools.

It is essential that we do the best we can for children by being utterly intolerant of poor educational standards. I am closely involved with an ARK Church of England state academy in Camberwell—in Harriet Harman's constituency—of which I am the sponsor governor, because I am passionate about education, not least as an engine for social mobility. However, the British values agenda concerns me more than a little because, while admirable in theory, ensuring that schools are promoting these values is actually very difficult.

I am not convinced that Ofsted inspectors are particularly well suited to making the careful and nuanced judgments necessary to bring about the outcome that we all desire, which is the well rounded education of all our pupils, whatever their background. For example, at a free Christian school—which I shall not name because the inspection is being appealed—one Ofsted inspector allegedly asked 11 and 12 year-olds, “What is evolution? Do you believe in this or God?”. That question is not only completely lacking in insight, as many Christians believe in both, but also seems to be questioning of belief at best and intolerant of belief at worst, and therefore contrary to what have been labelled “British values”.

Obviously, I want all our children to benefit from attending schools where people are not discriminated against on any basis, be it colour, sexuality, religion or anything else, and where any evidently discriminatory attitudes are challenged by staff or other pupils. However, it is vital that we not do this in such a way that means thought is being policed. Are we not in danger of trying to make windows into young people's hearts and secret thoughts—to paraphrase Queen Elizabeth I—in fear that an abundance of them will overflow into overt and express acts and affirmations?

Freedom of speech, something that has recently and tragically dominated the news, is also in danger of being diminished. Will—or, indeed, can—Ofsted ensure

that when children and young people express racist or other unpleasant attitudes, teachers are taking the time to help students understand what lies beneath such utterances rather than simply telling them, “You mustn’t say that”? We have all been in the position where we have said something that has betrayed a flawed view of another person. Discussing why we see things the way we do can often lead to greater self-awareness than if we were simply told, “You shouldn’t think like that”. It is important to make it clear when an injustice has been served against someone or a group, but there is a fine line between challenging and policing thought. How will Ofsted be able to determine whether that line is being crossed in the cut and thrust of school life?

In conclusion, I am a little surprised to find myself quoting Tony Blair, who said:

“We need religion-friendly democracy and democracy-friendly religion ... Those of us inspired by our faith must have the right to speak out on issues that concern us and in the name of beliefs derived from our faith”.

There are many highly respected Ofsted inspectors who are fervent Christians and devoted adherents of other faiths. In this brave new world of inspecting for British values, we need to ensure that they are consulted, so that we get the nuance I talked about earlier as right as possible. I ask that they are also drafted in to advise when a faith school has legitimate and well documented grounds for challenging this area of inspection. Otherwise, the Department for Education, through the way in which it deploys its eyes and ears on the ground, could be unintentionally failing to uphold its own British values.

3.52 pm

**Baroness Evans of Bowes Park (Con):** I, too, thank my noble friend Lady Perry for initiating this debate, and I declare my interest as director of New Schools Network. As we have heard, the last five years have seen significant educational reform. I will focus my short contribution to this debate on one element: the free school programme, of which we have heard a little already. As my noble friend said, in just four years, more than 360 free schools have opened or are due to open, providing nearly 200,000 new places, once full.

Noble Lords will know that this element of the Government’s programme provides the opportunity for parents, teachers, charities, existing schools, universities and community groups to set up new schools. This opportunity has further unleashed the ambition and entrepreneurialism of those within our education sector. Two-thirds of open or approved free schools have been established by existing schools or groups of educational professionals, and are located overwhelmingly in some of our most deprived communities. Whatever the critics say, free schools are supported by thousands of teachers around the country. What is more, they cannot be set up without strong local support from parents.

Setting up a free school is rightly a rigorous process that requires tremendous commitment as well as expert educational knowledge. Torch Academy Gateway Trust and Perry Beeches Academy Trust, which run outstanding secondary schools in the Midlands—and the Harris

Federation, which we have heard spoken about so passionately—have taken advantage of the programme to replicate their successful models to ensure that more local children can take advantage of the excellent education that they already offer.

Others have used it to extend their reach, so we have seen primary schools set up secondaries and vice versa. Combined with the creation of 41 new “all-through” free schools, the programme has led to a 50% increase in the number of schools nationally that offer children a high-quality education from age of four through to 16 or 18. For others, the programme has enabled new forms of collaboration. In Slough, a group of secondary school heads have opened Ditton Park Academy to meet a local need for places, while Aspire Academy in Essex is a new alternative-provision free school opened by a number of existing schools for pupils who have traditionally struggled in mainstream education.

Opening a new school from scratch offers a unique opportunity to instil a new approach and a new idea in its DNA from day one. So we are seeing successful ideas from abroad being implemented in England for the first time. XP School in Doncaster is using an expeditionary learning model in which teaching and learning are structured in academically rigorous real-world experiences. This approach has been extremely successful in America, with evidence showing that schools using it outperform their district-equivalent schools—and now, for the first time, pupils in England are getting the chance to be taught using this model.

As well as providing opportunities for teachers, free schools have allowed those with an interest in education to get more directly involved. Football clubs such as Everton, Derby and Bolton Wanderers have set up new schools aimed expressly at re-engaging young people in education through sport. As we have heard from the noble Lord, Lord Baker, businesses have been involved not only in UTCs but in the setting up of free schools. Discovery School in Newcastle is working with industry to develop its curriculum so that its students will be working on industrial projects as part of their learning.

However, as has already been pointed out, with any reform programme the most important question is: is it making a positive difference? While I accept that it is still early days in terms of data, I believe that the growing body of evidence suggests that the programme is delivering great new schools that are popular with parents and, importantly when public finances are under pressure, providing value for money. A 2013 National Audit Office report found that free schools are 45% cheaper than previous school building programmes.

Free schools are inspected by Ofsted during their second year of opening, so we are starting to have judgments on their performance. More than 70% of free schools that have been inspected have been rated as good or outstanding, and they have been found to be significantly more likely than other state schools to be rated as outstanding. I believe that the impact of free schools that we are seeing is one of the main reasons why all the main political parties now agree that innovative new schools should be allowed to be set up by local groups.

[BARONESS EVANS OF BOWES PARK]

While the overall picture is positive, it is right to recognise that, as with any innovative idea, there is a risk that not all will succeed, as my noble friend Lord Lucas rightly pointed out. Despite the attention that they have received, fewer than 1% of free schools have been closed and fewer than 3% have been taken over due to poor performance. This compares favourably with many states in America that have charter schools. In California, which has the highest percentage of pupils educated in charter schools, 17% of those approved have since closed down. Educational reformers in America would say that the most successful states have had a firm stance on closing failing schools.

What is crucial for parents and pupils in the minority of schools where we have seen underperformance is that decisive action is taken. This has certainly happened with free schools, in contrast to the more than 100 state-maintained schools that have been in special measures for more than a year. It will be important, as more evidence comes to light, that the programme is continually evaluated to make sure that lessons can be learnt from its successes and innovations but also from the difficulties that it has faced.

Free schools are already having a positive impact on our education system and giving teachers the flexibility to innovate. Every community should be able to benefit from the programme. They are giving parents new options—69% of mainstream free schools have opened in areas where parents are least likely to get their first choice of school—and bringing new dynamism into the system.

It is vital that free schools help to meet the need for new places, but, as the noble Lord, Lord Whitty, rightly said, they can be only one part of the solution. Restricting the programme to areas where there is a places shortage limits their impact to only certain parts of the country and removes an option for the thousands of parents who can choose only between underperforming schools for their children—a situation which provides them with no choice at all.

Free schools put power back into the hands of parents, so it is only appropriate that I leave the last word to one whose child attends a free school in Cheshire. I quote:

“For the first time in 8 years my daughter looks forward to going to school, but more importantly she comes home happy with an appetite to learn”.

3.59 pm

**Baroness Jones of Whitchurch (Lab):** My Lords, I am grateful to the noble Baroness, Lady Perry, for securing the debate today and for giving us this excellent opportunity to take stock of the coalition’s education legacy.

This debate is considerably enhanced by yesterday’s publication of the Education Select Committee’s report, *Academies and Free Schools*. Like my noble friends Lady Massey, Lord Knight and Lord Whitty, I recommend it as essential reading. After months of witnesses and evidence, the committee found that a successful process of school improvement was already in place in 2010. Indeed, there is no robust evidence that the coalition’s academy programme has been a

positive force for change, raised standards overall or specifically helped disadvantaged children. It concludes that,

“the Government should stop exaggerating the success of academies”.

In that regard, I am sorry that the noble Lord, Lord Nash, cannot be with us this afternoon. I rather think that he might be one of the culprits the committee had in its sights. We agree with the committee that it is essential that school improvement policies are evidence-based.

This is why I have made a point, since I was appointed, of going out and about, visiting as many schools as I can. I have been keen to observe, to listen and to learn. I have even shared a couple of visits with the noble Lord, Lord Nash, one to his academy and another to a maintained school in Tower Hamlets. Both schools were impressive and both demonstrated an enormous degree of energy and determination to build on best practice. This is my point: you do not need to be an academy, free school or any specific category of school to deliver outstanding teaching. The best schools are doing it all the time and our job should be to encourage and nurture that process, not to put up barriers. In fact, the Government’s relentless focus on structural change has arguably been a diversion from a focus on the fundamentals of good teaching and the drive to improve school standards.

Meanwhile, today’s statement on Birmingham schools reminds us that the aggressive fragmentation of the school system can have serious consequences. Peter Clarke’s highly critical report found that there were no, “suitable systems for holding the new academies accountable for financial and management issues”,

and he concluded that the Government’s accountability policy amounted to “benign neglect”. In response, the Government have been forced to bring in an array of characters to try to turn the situation round. It is still not clear who is in charge—a classic example of a failure of governance. This is why our devolved directors of school standards would be crucial to deliver a new level of oversight, support and challenge to schools.

Meanwhile, we have to take account of the cost of this massive school reorganisation. The department has come under constant criticism from the National Audit Office for its poor use of public money. The NAO’s latest adverse opinion indicates that it does not trust the accuracy of the department’s figures and is unable to tell whether it is providing value for money. All this is on top of recent evidence that individual academies are hoarding large sums of money, with cash balances of nearly £2.5 billion, rather than spending it on teaching and learning. We then have the increasing number of free school failures, diverting funds from much needed educational priorities elsewhere. My honourable friend Steve Reed, MP for Croydon North, only last week highlighted the waste of £82,000 on a free school in Croydon that will never open—all this at a time when Croydon has the biggest shortfall of school places in the country. Time and again we are seeing money diverted from children in areas with a shortage of school places to pursue pet projects where there are already enough places.

A similar argument could be made about the Government's constant meddling in curriculum content. Of course, we have to get the fundamentals right and we recognise that literacy and numeracy are fundamental to children's life chances. However, the focus on the measurement of a narrow range of academic subjects seems increasingly outdated when judged against the needs of employers in the 21st century. Indeed, it neglects issues such as well-being and the personal effectiveness issues that were highlighted by my noble friends.

We have all been concerned about the squeeze put on creative subjects. It was epitomised by the Secretary of State's throwaway comment that studying arts subjects would lead to dead-end jobs. This is why we would put the study of creative subjects back at the centre of the curriculum. We would insist that no school should be assessed as outstanding by Ofsted unless it was delivering a broad and balanced curriculum that included arts, sport and the creative subjects. Beyond that, we need to free schools from the burden of relentless interference in the curriculum by politicians and give them greater freedom to excel.

In contrast to this Government, we believe that refocusing the drive for educational improvement across the sector should be about the quality of teaching. Much of our task is made easier because we now have one of the best generations of teachers and head teachers that this country has seen. These are the people who are innovating and experimenting, swapping best practice, learning from each other and pushing themselves and their pupils to stretch out and deliver more. Anyone who has sat in a class being taught by Teach First graduates knows the impact that their sheer enthusiasm and passion for a subject can have on their pupils. We believe our task is to harness that energy and elevate all teachers to be the professionals that they aspire to be. Fundamental to this goal is the requirement for every teacher to have qualified teacher status or be working towards it. Not only is this an important principle; it is one that has the overwhelming support of parents. However, this is just the beginning. As with all other professionals, we would expect teachers to maintain a programme of continuous professional development.

In addition, we should harness the opportunities that new technology can deliver. There is an online revolution going on and, sadly, as politicians, we are behind the curve. Social media now mean that teachers can feed their curiosity about new teaching techniques and share great ideas. The TES Connect website—an initiative to which my noble friend referred—has more than 800,000 free teaching resources, as well as interactive debates and blogs. These new teaching aids are just the beginning. Emerging technologies are transforming the way we teach. Interactive textbooks, individual learning and cross-school or cross-continent discussions and debates can give children exciting new opportunities to learn. These are the sorts of tools that will help the next generation of teachers drive up standards further. We should embrace and invest in them.

Finally, if there is one area that epitomises the different approach of our party compared to that of the coalition Government, it is the issue of vocational

education. I very much support the comments of the noble Lord, Lord Baker. Unlike this Government, we believe that young people should have an alternative route into employment that is not hidebound by a narrow academic focus. This would be welcomed by employers as well as by a vast cohort of young people who are disillusioned with the current system. We already know that we need an additional 750,000 skilled digital workers by 2017 and a minimum of 750,000 technical-level workers in the STEM sector by 2020. This is why we will develop a gold-standard technical baccalaureate for 16 to 19 year-olds, as well as creating scores of new specialist colleges for high-level technical and digital training. We will make a particular point of encouraging girls to see the benefit of careers in these sectors.

We have had a good debate and a real opportunity to scrutinise the coalition Government's legacy. Of course, there have been success stories and we have heard some of them. However, the down side is an obsession with structural reform, an unhealthy meddling in curriculum content, a lack of proper oversight and poor value for money. By contrast, we believe that continual school improvement is best achieved by embracing all the good evidence that exists, a drive to build on the professionalism of teachers and encouraging best practice and collaboration. Yes, we should expect high standards but we should give those teachers the freedom to excel. We know that this approach will be widely welcomed by parents, the teaching profession and local communities. We look forward to having the opportunity to put these principles into practice after May.

**Lord Forsyth of Drumlean:** Perhaps I may ask the noble Baroness a question. There are now more than 4,000 free schools and academies in England. Having listened to a certain amount of carping about them, I was left with the impression that a future Labour Government would do nothing to reverse that position. Is that correct?

**Baroness Jones of Whitchurch:** If the noble Lord had listened to everything I said, he would have noticed that I said that there had been too much emphasis on structural reorganisation. The last thing that anybody wants is a further reorganisation, so we will give priority to other areas. I do not think that it would help anyone in the teaching profession to go through another restructuring, so we will take things as they are and find other ways of achieving our aims.

4.10 pm

**Baroness Garden of Froggnal (LD):** My Lords, I congratulate my noble friend Lady Perry on securing this important debate and I thank all noble Lords for their contributions.

Delivering the best schools is a key part of this Government's long-term economic plan that is successfully driving Britain forward. We want every child to have the opportunity to go to a good local school where they can acquire the knowledge, skills and values that they need to fulfil their potential and succeed in life.

We now have 1 million more pupils in good and outstanding schools—more than ever before—and this is under a tougher inspection framework. Under the

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previous Administration, our schools fell dramatically down the international league tables, with the number of pupils studying an academic core at GCSE falling from 50% to 22%. Our reforms to GCSEs are helping to reverse the decline, with the figure now back up by 71% to 39%.

We have also toughened up the curriculum to ensure that every child has the knowledge and understanding to succeed. This builds on groundwork in primary settings, with our focus on phonics helping 100,000 more six year-olds to decode simple words and learn the joy of reading. The noble Baroness, Lady Massey, talked about having the confidence to be learners. My noble friends Lord Harris and Lord Forsyth also spoke of the importance of confidence, and these early programmes are instilling this.

As our young people progress through education, the new Progress 8 headline measure will stop the focus on the C/D borderline and reward schools for teaching all their pupils well in all their subjects and for every increase in grade in every subject. Picking up points made by the noble Baronesses, Lady Massey and Lady Jones, this measure gives more scope to include arts qualifications, as it measures eight subjects instead of five. It allows schools to include English, maths, three of the EBacc subjects and any other three approved vocational or academic subjects. Therefore, it allows greater value to be given to arts subjects if that is what suits the pupil.

These achievements, of which we are rightly proud, form just part of our school reforms, which are helping to build the citizens of the future. The Government recognise that the school environment impacts on a child's learning and their attainment. That is why we took swift action following Ofsted's findings in 2013 that 700,000 pupils were in schools where behaviour was not good enough. We have updated our behaviour advice to schools to make it as simple as possible, reducing the overall amount of advice on behaviour and related issues from 600 to 60 pages. My noble friend Lord Lucas made mention of behaviour in his contribution. We can see the fruits of that already, with three-quarters of teachers saying that behaviour in their schools is good or better than when this Government came to office, and the number of persistent truants fell by more than 30% during the last academic year.

School buildings also have a bearing on children's learning. We are spending £18 billion in this Parliament building or improving almost 900 schools, with more than 200 new school buildings having been completed since the election. We are targeting that money on the schools that need it most, but of course there is more to be done. In addition, as an economy, we have halved the costs of running the department in real terms.

One of the key achievements that we inherited was the academy programme. Thanks to the noble Lord, Lord Adonis, whom I am delighted to see in his place, these grew alongside the city technology colleges introduced by my noble friend Lord Baker. When we came into power, there were 203 academies—15 of them CTCs—and that number has now grown to

more than 4,000. A key pillar of the Government's school reforms is the academies and free schools programme, which we are complementing with reforms designed to give power back to teachers and heads.

The noble Baroness, Lady Jones, commented on the academy reserves. It is right that schools should plan for the future and keep some funding in reserve. Academies are prohibited from operating while insolvent, so naturally they will hold a higher cash balance than maintained schools, which, in contrast, are allowed to run up deficit budgets. However, we exactly take her point that this must all be in proportion.

The noble Baroness, Lady Jones, and the noble Lord, Lord Whitty, among others, referred to the House of Commons Education Select Committee report on academies and free schools, which has just been published. The committee's research has led to wide-ranging recommendations. It acknowledges that it is too early to judge whether academies raise standards overall. It concludes that both academies and state-maintained schools have a role to play in system-wide improvement by looking outwards and accepting challenges to ensure high quality education for all children. At this point I pay tribute to the contribution of the right reverend Prelate when he set out the part played by the Church, which has always been significant over the centuries.

We are firmly on the side of people who want to work hard, get on and provide a decent education for their children so that they can reach their full potential. Parents, teachers, faith groups and social entrepreneurs who are successful in the rigorous application process have opened new state schools, and more than 250 free schools are up and running. Seven in 10 mainstream free schools are delivering good quality places in areas which need school places. More than half have been set up in our most deprived communities. My noble friend Lady Perry, the right reverend Prelate and my noble friend Lady Evans referred to the locations of these schools. Once fully operational, all existing and planned free schools will provide around 200,000 new places, and I pay tribute to my noble friend Lady Evans for her work with the new school networks.

The noble Lords, Lord Knight and Lord Whitty, referred to the need for strong governance. Certainly this Government take that very seriously. Academies and free schools are subject to more rigorous oversight than maintained schools and the regional school commissioners increased the oversight and promotion of effective governance in academies and free schools. My noble friend Lord Forsyth reminded us that educational initiatives are often not really new. It is a case of *déjà vu* all over again.

These additional places are run alongside £5 billion of funding for school places and the 250,000 more school places available since 2010, with plenty more in the pipeline. Almost a quarter of free schools are rated outstanding compared to a fifth of other schools. Free schools up and down the country are making the most of their freedoms to raise the standard of education for their pupils and 84% of free schools collaborate with neighbouring schools, or plan to. Around half have an extended school day.

To come back to the university technical colleges and studio schools, I commend my noble friend Lady Stedman-Scott for her work as a patron of the Rye Studio School which gives young people a unique opportunity to learn the skills needed for a career in the creative industries, which play such a vital part in our national life. The UTCs and studio schools bridge the gap between educational provision and the job market by putting employers in the driving seat to design a curriculum that reflects the technical skills needed for successful careers in their industries, as my noble friend Lord Baker set out so clearly. I welcome the fact that the percentage of NEETs by the end of 2013 was 7.6% compared to 10% in 2009 for those students who had been to UTCs and studio schools.

I was also interested in the concept of the intelligent hands, or indeed intelligent digits, as the noble Lord, Lord Knight, mentioned. Obviously the impact of technology affects us all. A number of noble Lords mentioned the recent reports of faith-free schools—my noble friend Lord Farmer and the noble Baroness, Lady Massey came at this from very different perspectives. We have made clear our expectation that all schools should actively promote the fundamental British values of democracy, the rule of law, individual liberty, and mutual respect and tolerance for those of different faiths and beliefs. Ofsted's embedding of fundamental British values within its inspection frameworks for all types of school means that every school in England can and will be held accountable for its performance on fundamental British values.

What is important in regard to individual schools is to look at the inspection reports. The schools that have been highlighted as giving cause for concern have weaknesses in a number of areas and we are working closely with these schools to resolve the issues. My noble friend Lord Farmer raised concerns about the inspection of faith aspects, and I understand that inspectors are trained to ask appropriate questions, which take account of the ages of different pupils to get at some of the difficult issues, such as prejudiced-based bullying. Inspectors need to ask pupils questions, but I assure the noble Lord that the promotion of fundamental British values, democracy, the rule of law, individual liberty and mutual respect of tolerance of those of different faiths and beliefs should not be new to schools. It has always been at the heart of effective, spiritual, moral, social and cultural education.

This Government's structural reforms are also tightly focused on turning failing schools around. We have increased the number of sponsored academies by more than 1,000, which has transformed the life chances of thousands of pupils. I take this opportunity to pay tribute to the work of the noble Lord, Lord Harris, and my noble friend Lord Knight. I am sorry; it is the other way around. It is the noble Lord, Lord Knight and my noble friend Lord Harris—although we are all friends in this House. They, along with other successful academy sponsors across the country, have transformed the life chances of thousands of pupils. It was most heartening to hear my noble friend Lord Harris speak of the success of his academies.

As sponsored academies mature, they continue to improve. In sponsored academies open for three years, the proportion of pupils achieving five good GCSEs

including English and maths has increased at double the rate in local authority maintained schools; 12% against 6%. We have also enabled good or outstanding schools to enjoy the benefits of autonomy, and more than 3,000 schools have seized the opportunity to raise standards by varying the curriculum, extending the length of their school day and employing the best teachers.

The noble Lord, Lord Knight, my noble friend Lord Lucas and the noble Baroness, Lady Jones, all made reference to the impact of technology. Indeed, we cannot ignore the fact that technology and digital learning open up more innovative ways of teaching and learning. The Select Committee report recommends that curriculum freedom be made available to all schools. As for primary schools, the first primary sponsored academies that opened in September 2012 have seen the proportion of pupils achieving level 4 or above in reading, writing and maths increase by 9% since opening. This is double the rate of improvement across all schools, which stands at 4%.

While a place at a good school and an environment that encourages learning is critical, the Government recognise that, in some cases, pupils need further support to ensure that they are able and ready to learn. Nutrition is the foundation of effective learning and development, which is why we are funding free school meals for all infant school pupils. Already, we are seeing some very positive results in learning, behaviour and health. We have also provided additional funding for disadvantaged children through our flagship policy, the pupil premium, so effectively promoted by my right honourable friend David Laws. This is worth £2.5 billion this year, and £8.8bn in total, to close the gap and aid social mobility.

The proportion of disadvantaged pupils at key stage 2 achieving the expected level in reading, writing and maths combined rose by 6% between 2012 and 2014, and the gap narrowed by 2% over the same period. In its pupil premium update report published in July 2014, Ofsted noted:

"The pupil premium is making a positive difference in many schools, especially where there is good or outstanding leadership and a school-wide commitment to raising achievement for pupils who are eligible for free school meals. Most schools are now using the pupil premium funding more successfully to raise attainment for eligible pupils."

We know that the barriers to educational achievement can arise from a child's early years, which is why we are extending the pupil premium, with £50 million of funding for the early years pupil premium. My noble friend Lord Storey set out eloquently the importance of the early years in children's development.

My noble friend Lord Addington spoke passionately of the importance of children with special educational needs, including those with dyslexia, getting the support they need, and of the importance of training for staff. The reforms introduced by the Children and Families Act 2014, which came into effect in September, are designed to work for all children and young people, regardless of their type of need. We are taking action to improve professional development across the piece. This includes improving training for the early years workforce, developing specialist resources for initial teacher training and funding an online portal, the

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SEND gateway, offering access to free, high-quality information and resources. We have also funded around 11,000 new SENCOs, through the master's-level national award for SEN co-ordination. In response to my noble friend Lord Storey, we will review the impact of SEN reforms over the next few years and report to Parliament.

None of our reforms would be achievable without the dedication of our invaluable teacher workforce and, as my noble friend Lord Harris reminded us, of the support staff, too. This Government are fully committed to stripping back the back the bureaucracy and unnecessary workload that can stand in the way of teachers doing their jobs and compromise their well-being. We have increased school autonomy and streamlined duties, guidance and paperwork for schools. We are taking further steps to address teacher workload. Our recent Workload Challenge received more than 44,000 responses from teachers, and we are working closely with teachers, unions and other organisations to come up with an action plan to tackle unnecessary workload.

We are helping schools focus on effective professional development by spreading outstanding evidence-based practice through a growing network of more than 600 teaching schools. Our *A World-Class Teaching Profession* consultation, which closes on 3 February, proposes that we establish a new fund for high-quality evidence-based professional development for teachers.

We have excellent teachers in our classrooms, with record levels of highly motivated top graduates entering the profession. Our School Direct programme, the significant expansion of Teach First, bursaries and scholarships are helping encourage even more talented teachers into the classroom. Our reforms to teachers' pay and conditions enable schools to reward performance and attract and retain the best teachers.

As my noble friends Lord Lucas and Lord Addington mentioned, teaching is unique among the professions in not having an independent body to represent the promotion and development of the profession. We agree that this should be rectified. Our *A World-Class Teaching Profession* consultation sets out the support the Government are willing to offer those in the sector seeking to establish a new independent professional body—perhaps a royal college of teaching. Expressions of interest are welcome until the close of the consultation period on 3 February.

I agree with my noble friend Lady Perry that it is disappointing that the NUT and NASUWT remain in dispute with the Department for Education over pay, pensions and conditions. The Government's reforms are vital towards securing high-quality teaching—the most important factor in a child's education. The department continues to work with all teaching unions on matters of policy implementation through the ongoing programme of talks.

Our aspiration is for all our schools to prepare all our young people for life in modern Britain, to inspire them academically but also to develop a range of character attributes, such as those outlined by the right reverend Prelate—resilience and grit—which underpin success in education and employment. To achieve this, we are investing £5 million to expand

capacity in character education, build evidence of what works and deliver a national awards scheme to recognise existing excellence. In response to the noble Lord, Lord Knight, we are currently reviewing ASDAN's certificate of professional effectiveness and its position in performance tables, but I will pass the noble Lord's request for a meeting on to the Secretary of State.

My noble friend Lady Stedman-Scott spoke with her passionate expertise about the importance of preparing young people for life, for the transition to adulthood and work, and helping them to find their destiny. I note her point about a personal coach for young disadvantaged people. I am afraid I cannot promise her that—that is way above my pay grade—but I will take back her request to the department.

There has been much concern about the quality and quantity of careers education but we are addressing this with the establishment of a new careers and enterprise company, which will transform the provision of careers education and advice for young people and inspire them to take control of and shape their own futures. Published destination measures clearly indicate how successful a school has been at preparing its pupils to progress to an apprenticeship or other forms of education or training, or secure work. I note and appreciate the comments of the noble Baroness, Lady Jones, on the importance of vocational education and skills. The key stage 4 measure is included in school performance tables and we have received overwhelming support for our proposal for destination measures to be a top-line performance measure. Ofsted is ensuring that careers guidance and pupil destinations will be given greater priority in inspections.

My noble friend Lady Perry expressed disappointment that Ofsted reforms have not yet taken place. I assure my noble friend that the Government have looked carefully into these reform proposals and agree that the highest importance must be given to issues of leadership and quality in inspection and that inspection teams should have appropriate experience in the areas that they inspect.

By creating a system which gives schools the freedom to innovate while also holding them to a higher level of accountability, we are giving our children and young people an educational foundation enabling them to fulfil their potential and succeed in life. This has been a stimulating and wide-ranging debate. If I have not responded to all the issues raised, I hope to do so in writing. Meanwhile, I repeat my thanks to my noble friend Lady Perry for initiating the debate and to all noble Lords for such insightful contributions.

4.29 pm

**Baroness Perry of Southwark:** My Lords, I begin by thanking all noble Lords who have taken part in what I think has been an extremely interesting and very positive debate, with an especial thank you to my noble friend, whose summary has been superb. She has managed to cover so many topics covered in our debate and answered so many of the questions that she has been asked. I thank her very much for that.

I am particularly pleased that we have had the opportunity, from several parts of the House, to pay tribute to our great educational reformers, the noble

Lords, Lord Baker and Lord Adonis, and, in the other House, the right honourable Michael Gove. I am also pleased that we have heard so much from the people who are doing things on the ground—such as my noble friend Lord Harris, whose work in his academies has been an example to the whole nation of what can be achieved by an absolute determination to raise the standards of young people. I was fortunate enough to be a trustee of his first city technology college, and I remember his moving determination that no child in south London should have to put up with a second-class or even third-class education, but should achieve the maximum that they were capable of.

I was also moved by the story from my noble friend Lady Stedman-Scott. As she said, I have been even more moved by meeting the young people who have been helped by her astonishing programme to turn their lives around from failure and distress to success and an occupation that they chose freely for themselves.

The other theme that I would like to mention—I am delighted it has come through from so many different speakers today—is that of vocational education. It is more than time that we recognised that half our young people are simply not motivated towards, and will not succeed in, academic education. Any attempt to track them and sausage-machine them into academic life is deeply unresponsive of their wishes and motivations. They are not people who are substandard and somehow not quite clever enough to do academic work; they are often extremely clever and intelligent young people who are motivated in the technical and vocational field. As that has come through so strongly from our debate, I hope that the Government will now embrace it and think even further about it.

Finally, I am deeply grateful to everyone who has taken part in what I think has been an extremely useful, in many cases, revealing, and, by and large, not too controversial debate.

*Motion agreed.*

## **Palestine: Recognition**

### *Motion to Take Note*

4.32 pm

*Moved by Lord Steel of Aikwood*

That this House takes note of the Resolution of the House of Commons of 13 October 2014 that “this House believes that the Government should recognise the state of Palestine alongside the state of Israel, as a contribution to securing a negotiated two-state solution”, and that this recommendation has also been adopted by the European Parliament, and the Parliaments of Sweden, France, Ireland, Portugal and Luxembourg.

**Lord Steel of Aikwood (LD):** My Lords, we might now add Spain to the words of the Motion. I am gratified that so many Members wish to take part in the debate, and I am conscious that the House expects to rise at seven o'clock. I join in that expectation, as I am booked on the last plane to Edinburgh, so I will attempt to be brief in my opening remarks.

First, I declare two interests. I was for seven years president of the excellent charity Medical Aid to the Palestinians. I am delighted that the current president, my noble friend Lady Morris of Bolton, will be taking part in the debate. Secondly, I am a paid-up member of the Friends of Israel, for the very good reason that I think that it is important always to distinguish between the State of Israel and the policies of the present Government of Israel. They are not the same, and too many people equate the two rather sloppily.

When I was leader of the Liberal Party, my Palestinian friends used to say, “It’s all your fault. It was under a Liberal Administration that the Balfour Declaration was first promulgated in 1917”. I am very proud of that, but I also remind people of the second part of that declaration, which states,

“it being clearly understood that nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine”.

I am afraid it is that section of the Balfour Declaration which has so often been forgotten.

As a young MP, I went on the parliamentary delegation to the General Assembly of the UN in 1967. I remember the excitement and enthusiasm of sitting in on the meetings with Lord Caradon, who was then our representative at the UN, when we secured UN Security Council Resolution 242. There was a sense then that this was the start of a really effective peace process, after the war in that area. How sad it is that more than 45 years later, we have to say that that optimism was completely misplaced.

Then in 1980, when I was party leader, I took a delegation of six colleagues around the Middle East to study the situation in detail. We were extremely well received by Heads of Government including President Assad in Syria—the dictatorial father of the current President—President Sarkis in the Lebanon, President Sadat in Egypt and King Hussein in Jordan. The one place where we were not received by the Head of Government was Israel. Why? Because Prime Minister Begin disapproved of the fact that in Damascus, we had had the temerity to have a meeting with Mr Yasser Arafat, the leader of the PLO. The fact that we had spent time in that meeting trying to argue him out of a section of the PLO covenant and into recognising the State of Israel was beside the point. We had spoken with the unspeakable. It is interesting how history repeats itself: just as it would not speak to the PLO then it will not speak to Hamas now, for exactly the same reasons.

On other occasions, I have visited the border towns in Israel of Sederot and Ashkelon. I therefore fully understand the sense of fear and terror under which they have to live, with the quite unacceptable raining down of rockets from Gaza on to these communities. These are not only disastrous but positively counterproductive for the peace process. The rockets of course inflict casualties on the citizens of Israel, but none of these casualties justifies the reaction of the Government of Israel in their two invasions of the Gaza Strip: in 2009, Operation Cast Lead, and, in 2014, Operation Protective Edge. In the first invasion, some 1,400 Palestinians were killed and in the second

[LORD STEEL OF AIKWOOD]

some 2,500—500 of them children. I visited Gaza again after Operation Cast Lead and I find it difficult to describe in the House the scale of the devastation that had been inflicted, never mind the deaths. Houses, schools, factories and even hospitals were destroyed in that operation. Indeed, I am surprised that there has not been a stronger reaction among the taxpayers of the European Union and the United States, considering that the airport opened by President Clinton in 1998 was destroyed. That airport cost us \$86 million.

In 2002, the Arab Heads of State launched the Arab peace initiative, which promised to fly the Israeli flag in embassies in every Arab capital. It was an amazing breakthrough, repeated in 2007. Last year, some of us had the privilege of meeting upstairs in a committee room a group of Israeli businessmen. I say that they were businessmen because they stressed that they were not politicians. They were launching an Israeli peace initiative in response to the Arab peace initiative, and arguing that the peace process really ought to be conducted at international level by the Heads of Government. That is still a compelling process, given that the Israelis and Palestinians seem unable to reach any kind of peace agreement themselves.

Unfortunately, the present Government of Israel under Mr Netanyahu have consistently rejected those initiatives and continue to build settlements on the West Bank, now occupied by half a million citizens of Israel. They are, of course, totally illegal, as defined by the international court. Mr Netanyahu rejects that court: he even rejects the Israeli Supreme Court when it criticises the route of the security wall. Israel does not like the reference to apartheid, but the separate roads on the West Bank that can be travelled on only by Israeli citizens, and which I saw on recent visits, are strongly reminiscent of what I used to find in South Africa, as is the expulsion of Palestinians from Israel itself. In 2012, the 27 European Foreign Ministers issued a report saying that the attitude of the present Government of Israel threatens, “to make the two-state solution impossible”.

The truth is that, under the present Administration, Israel has been losing friends. The one stroke of comfort we can take is that current opinion polls indicate that the Government may lose office in the coming election and be replaced by something a good deal better.

Why should we now echo what the House of Commons has already done? I use the words of our consul-general in Jerusalem, Sir Vincent Fean:

“The voices of moderation on both sides need encouragement. Those Palestinians who eschew violence and practise security cooperation with Israel need something to show for their pains—to prove that their peaceful efforts, not indiscriminate Hamas violence, will lead to two states”.

We are sending a signal from this House that we welcome and echo what the elected House has already done.

**Lord Gardiner of Kimble (Con):** I respectfully remind your Lordships that we have suggested an advisory time of four minutes to enable the House to rise at its customary time of 7 pm. It would be very much appreciated if your Lordships could keep to that advisory time.

4.41 pm

**Lord Cope of Berkeley (Con):** My Lords, when we discussed this part of the world on 30 October, I explained my involvement with Palestine resulting from my wife’s family having settled in Jerusalem for Christian reasons 150 years ago. I have, therefore, been visiting Palestine for over 45 years. I have seen for myself the problems on the ground and I have seen them get worse. I believe it is time—indeed it is overdue—that the UK recognises Palestine as a country. We all know that the 1967 borders need land swaps by agreement, but that is still the internationally agreed border. Some countries with disputed borders have long been recognised as states, including Israel itself. Many other countries without our historic responsibilities for the problems she faces, which my noble friend Lord Steel referred to in his excellent and moderate introduction, have recognised Palestine.

I believe recognition by the UK would help towards a settlement. The two-state solution needs two states to negotiate and agree. The PLO committed itself to recognising Israel over 20 years ago, in 1993. However, Israel not only still refuses to recognise Palestine but builds all over it. As has been said, settlement building is against international law. It is highly aggressive and provocative, particularly just now around Jerusalem. In this dispute, the extremists on each side constantly quote the words and actions of the extremists on the other side and squeeze out the moderates in the middle. Like my noble friend, I believe that recognition would give the Palestinian moderates a real boost and encourage the Israeli moderates to try and get their Government to negotiate properly with their neighbours. Many Israelis, like those quoted by my noble friend, recognise the truth that aggressive, illegal occupation will not work in the end. It is not the road to peace. The world cannot accept, and has not accepted, that a state can steal other people’s land by force and build over it.

For the UK, recognition would mean that at last we had tried to redeem our historic pledges, in so far as we still can, to respect the interests of the pre-existing inhabitants in creating what was called the national home for the Jewish people. I sincerely hope that on 17 March the very difficult Israeli electoral system will result in a long-sighted Government who realise that without a two-state solution Israel will never be at peace with its neighbours. Meanwhile, let us show our support for the two-state solution by recognising the second state involved in it.

4.45 pm

**Baroness Blackstone (Lab):** My Lords, I support the Motion of the noble Lord, Lord Steel. The present impasse in reaching a negotiated settlement is a tragedy not just for Palestine but for Israel. The failure of the peace process after 20 years leaves Palestinians as oppressed, stateless people, but it also leaves Israelis still fearful about their security and citizens of a country drifting towards becoming a pariah state because of their current leaders’ lack of respect for international law. Only last July, Netanyahu ruled out ever accepting a Palestinian state on the West Bank. Ever more illegal settlements make a two-state solution increasingly unviable, suggesting

that he rejects its establishment. Can anyone believe that this is in the long-term interest of Israel, let alone Palestine?

All political parties in the UK have long supported a two-state solution. There is now a consensus that every effort should be made to establish this without greater prevarication and delay. Action, not words, is now needed. After many failures in the US-brokered bilateral negotiations, it is time to accept the state of Palestine alongside the state of Israel. I suggest that those speakers in this debate who will say it is premature are wrong. Perhaps they should be reminded of the history of the state of Israel. In 1920, as the holder of the mandate for Palestine, we made a commitment to guide Palestinians to statehood and independence. For those who may argue later that Palestine does not have the attributes of a state, a reminder is needed about the circumstances in which Israel was recognised as a state in 1948: it had no effective Government; there were warring factions, including the terrorist Stern gang; its borders were unclear; and it had no capital city. Nevertheless it was recognised, rightly, and it is now right to recognise Palestine as a state, taking the 1967 borders as the basis for its territory.

I also want to refute the view that the Israeli Government have a right of veto over the future of Palestine as a state. In exercising such a veto, they are denying the Palestinian people the dignity associated with self-determination that they so deeply crave and which the Israelis also wanted after 1947. No wonder the Palestinians are now seeking a unilateral route rather than relying only on the increasingly futile bilateral negotiations. It would be easier to sympathise with the view that an agreed settlement involving Israel is the only right route had successive Israeli Governments respected international law, discontinued the blockade of Gaza and ended the occupation of the West Bank. Instead they have annexed more land, destroyed the infrastructure of Gaza last summer—killing many innocent people, half of whom were children—and continued the daily harassment of ordinary people on the West Bank.

I make a plea to those who have come to this debate to speak against the resolution: please think about what it is like to be a young person in Palestine. They have grown up experiencing oppression and misery, their older relatives being stripped of their land and a blighted economy. Their hopes of self-determination are dashed with every failure of the peace process. If we want them to reject violence, as surely we should, we must give them hope. To support the recognition of Palestine as a state will of course not be a total solution, but it will be a message to them of our belief in their right to self-determination and a symbol of our support for it. In politics, symbols sometimes matter.

4.49 pm

**Baroness Williams of Crosby (LD):** My Lords, I share the views expressed by those who have already spoken of the importance of this House indicating that it agrees with the House of Commons on the question of the recognition of Palestine as a state. I will say just two things in the short time that I have.

First, those of us who care very deeply about the survival of Israel are extremely puzzled by how there can be any plan for survival in the outcome of the many, many years of argumentation—ending almost invariably in the breakdown of negotiations—that we have now seen over the last 40 years. That essentially means that there is no plan for a long-term dual state—Israel and Palestine—implicit in the discussions that are going ahead at the present time. If we believe that there should be a single state, that single state cannot be a Jewish state and cannot be a democratic state. It is very hard to see how we can bring those three essential things together: democracy, the existence of a Jewish state, and the survival of peace in the Middle East.

I therefore want to ask the following question: what kind of future without a two-state solution can we see? Is there any voice from the Israeli Prime Minister or, for that matter, any other of those concerned with peace in the Middle East, that suggests that there is any solution other than a two-state solution? That two-state solution is literally slipping through our fingers as we talk. There is probably only, at best, a few months left to see a viable Palestine that could survive. That viable Palestine is shrinking by the month because of the steady extension of settlements on the West Bank and, of course, in Gaza.

Secondly, one of the great opportunities that we now have is represented by the acceptance of Palestine as an observer state—albeit not a full state—of the United Nations, coupled with its signature of the International Criminal Court treaty. The International Criminal Court has had a hard time, but one of the things that it has clearly indicated over and over again is its objectivity and its willingness to look at both sides of the issues that come before it. The commitment of Palestine to the concept of international law that is implicit in its signature of the International Criminal Court treaty is of the greatest possible importance. It could pave the way to a recognition in other Arab states of the role that the ICC should have in the steady development of the rule of law internationally. The fact that the International Criminal Court has shown the courage to align people with bad records on human rights and records of tyranny, even in cases where the political weight is often against it, suggests just how important this step could be.

In conclusion—and I want to repeat it as strongly as I possibly can, not least in the light of what has just been said by the noble Lord, Lord Cope, and the noble Baroness, Lady Blackstone—many of us deeply want to see the survival of Israel. We want to see it as a Jewish state; we want to see it as a guarantor that there is no future in anti-Semitism. However, we cannot hope to achieve these things if the state of Palestine continues to be unrecognised, dishonoured, abused, and relegated to a lesser marginal role. I, for one, would like to say to those of my colleagues from the United States who have had the amazing effrontery to suggest that there should be a punishment for the attempt of Palestine to receive membership of the International Criminal Court, which would involve the cutting off of American aid to the Palestinian Authority, that that is a complete distortion of what is

[BARONESS WILLIAMS OF CROSBY]

meant by the rule of law and one that I hope that we in the United Kingdom will agree next time to stand up against.

4.54 pm

**Lord Pannick (CB):** My Lords, there is of course another side to this debate. The United Kingdom is in good company in not recognising a state of Palestine. Australia, Canada, New Zealand, the United States, Germany, the Netherlands, Italy, Denmark and many other European nations have not yet recognised a state of Palestine—and for good reason. Sympathetic though we all are to the sufferings of the unfortunate Palestinian people, recognising a state of Palestine at this time would hinder rather than promote a peace settlement. It would hinder a peace settlement because what is needed on both sides is to focus attention on the painful compromises that have to be made in bilateral negotiations. Yes; painful compromises are required from the Israeli side, and I know how difficult they will find it—I have an Israeli wife.

On the Palestinian side, which of course we are debating today, instead of the distraction of grandstanding international gestures, Palestinians need unequivocally to accept that the State of Israel is here to stay. They must give up the notion of a right to live in Haifa or Be'er Sheva. They need to throw away the schoolbooks that demonise Jews and deny that the Holocaust occurred, and unequivocally to condemn the attacks from Gaza and the suicide bombers, who are responsible for the blighting of the lives of other Palestinians, which we have heard about today.

Perhaps most of all, they need to recognise that Israel, for all its faults—and which society does not have faults?—has much to teach Palestinians, if only they would listen, about how a society born out of tragedy can promote free speech, democracy, the rule of law, scientific and literary achievements and, yes, prosperity for its people, with standards achieved in very few other places in the world, and of course none in the Middle East, all in the 66 years since its creation—a quite astonishing achievement in the most difficult of circumstances, surrounded by people who wish to destroy you.

Last week, a Palestinian man from the West Bank stabbed 10 people in an unprovoked attack on a bus in Tel Aviv. The *New York Times* reported that the assailant told police he was hoping to reach paradise—I assume he had not intended Tel Aviv to be his final destination. The *London Times* reported the response from Hamas. It was, it said, a “heroic and daring operation”. I will tell the House what would truly be heroic: for the Palestinian leadership to abandon gesture politics in the United Nations and take the hard and painful decisions that are necessary to secure peace in the only place it can be achieved—at the negotiating table.

4.57 pm

**Baroness Warsi (Con):** My Lords, I start with the premise that in an ideal world a negotiated settlement between any two parties in a dispute is preferred. However, let us try today to understand why the Palestinians have adopted the UN route, and why Israel opposes that route.

I visited Israel and Palestine in December with Medical Aid for Palestinians and the Council for Arab-British Understanding, with my noble friend Lady Morris, as declared in my register of interests. I met with international agencies, human rights campaigners, lawyers and politicians, but the most moving meeting was with a group called Breaking the Silence. They are former Israel Defense Forces soldiers, now speaking out against Israeli government policy in the Occupied Territories. They wanted neither praise for their bravery, nor sympathy for the abuse they receive in Israel for speaking out. They simply wanted us to be informed about the reality of the occupation—which has so changed the landscape of the Occupied Territories: the territorial area which, according to the 1993 Oslo accords, would be the future state of Palestine. In 1993 there were 110,000 settlers in the Occupied Territories. There are now 400,000 settlers—and more than 500,000 if we include Jerusalem.

Desperate times make people take desperate actions. In the past the desperate actions were violent, and we were right to urge the Palestinians to forgo violence for diplomatic means. Yet when they did, we continually rebuffed them for it. When Palestinians see all around them the reality of a two-state solution diminishing, if not already over, they start to fight for the Palestine that they want to exist, even if it exists simply on paper, out there in the abstract. That is the desperation that we see among the Palestinians. When we visit the Occupied Territories—with communities that are being choked, livelihoods that are being lost and basic needs that are not being met—it is not hard to understand the feeling of hopelessness.

I know that many noble Lords whom I consider to be friends will stand up today and argue that no Palestinian state must ever come about without Israel's agreement. I accept that as their sincerely held view. So the question I ask my colleagues who will make that argument today is: what are you doing, as the two sides continue to flog the dead horse of negotiations, to preserve the physical integrity of a future negotiated state of Palestine? Do you campaign against the illegal settlements? Do you condemn those, even in our own parties—extremists, as my right honourable friend Alan Duncan so ably argued—who do not condemn illegal settlements? And how do those of you who have the privilege of a close relationship with the Israeli Government use it to encourage the Israeli Government to respect international law?

Our abstentions display a terrible lack of moral character. Our continued lack of support at the UN puts us at odds with our own—oft cited, these days—British values of the rule of law, justice and fairness. Our Government's decision to ignore parliamentary and public opinion makes our Government complicit and responsible for the ever closing window on the prospect of a two-state solution becoming a physical reality. The desperate attempt by the Palestinians to get a state on paper, even if not in reality, is something that we have an obligation at least to recognise.

5.02 pm

**Lord Mendelsohn (Lab):** My Lords, I hope that I am not making too much of an assumption if I say that most of the speakers in the debate support a

two-state solution, and do not support settlements. The Palestinians deserve support, and one needs to listen to the many campaigns they promote to put political pressure on Israel, to try to erase its historical context and to challenge its supporters in any and every way, as a form of resistance. That is legitimate, and it is the voice of a predicament, and indeed suffering, which are yet to be met with justice. But that does not mean that it makes good foreign policy to support it or to adopt it. Nor does it show indifference to oppose it.

I have always believed that there is little point in being a pessimist when discussing the Middle East. We have to be optimists, albeit sometimes optimists having a bad day, or a bad series of days. We are right to take notice of the increasingly complex and difficult place that the region is becoming, and of the challenges of development, security and the weakened state structures, civil society and secular notions.

Certainly things have moved on since the optimistic days of the 1990s, when peace looked within grasp. But even since 2000 we have had three, possibly even four, serious moments and opportunities. In fact, since 1973 we have had, on average, one major initiative every year that tried to advance peacemaking in the region. This is why, despite all, we must remain optimists.

The Motion fails to provide us with a useful framework to advance the cause of peace. In fact, I would go as far as to say that it is unhelpful. If we want to play a successful role in achieving a settlement, that needs to involve how we work with those who will have to make the agreement. The international community cannot substitute for them, and any conception that this is something that can be imposed—as if once an agreement is inked, the matter is settled—is looking at this through the wrong end of the telescope. The hard work actually starts after a deal is signed, and does not stop for at least 50 years.

That is why our role has to be to support the participants in the Middle East, and not to press them when it is not possible to make progress. Direct negotiations are the only route. And when they are not available our efforts should be to make them possible and easier, not less likely and harder. That does not, in this form and at this time, assist the moderates in Israel. Most significantly, I believe that it will restrict the opportunity for, or place greater obstacles on, the ability of any Palestinian leader to make concessions in the future. Given where the pressures on President Abbas were during the Kerry process, I do not think that this will benefit the cause of peace.

I am sure that many think that massive external pressures and the will of the West or the international community can force any Government of Israel to commit to what they do not believe is a viable peace. It is, of course, in Israel's interests to advance towards the creation of a Palestinian state and to break this and other diplomatic deadlocks. That point is recognised by most of the political spectrum of Israel, and by those who do not also have a unilateral strategy.

We need a re-energised peace process. A number of steps can, and could, be developed to ensure that this is possible. However, the current process of Palestinian unilateralism will not do it. We are not at the last

throw of the dice and we are not in the final minute. There are no obstacles that effective political will cannot overcome. However, that is not to underestimate their difficulties.

On occasion, I hear it said that an individual is a candid friend of Israel. This acts as a means to preface something which clearly indicates that they are not. However, Israel needs candid friends who have little fear of raising uncomfortable truths and are prepared to place interesting and challenging ideas before it. However, far fewer people are prepared to say that they are candid friends of the Palestinians and tell them some hard truths. I accept that it is not easy to challenge the representatives and the people who have suffered as they have, but it is necessary. Candid friends of the Palestinians can be the greatest friends of peace if they can convince them that, despite the apparent impasse, the path that leads nowhere is not the path worth following.

Candid friends need to say that fundamental questions regarding normative character, institutional capacity and sustainability of the Palestinian polity cannot be ignored as an inconvenient truth or kicked down the road as a post-independence issue. Candid friends need to tell the leaders that they need to make peace for what happens the day after an agreement is made and that the international community is a tool to support the settlement, not a substitute for it. A candid friend has to tell them that they should not take every opportunity to miss an opportunity. In my view, it is really of no matter to the cause of peace if they do or do not decide to change, increase or cease much of the rhetoric. But anyone who cares about making progress towards peace knows that we need to use diplomacy as a tool to help the Israelis and the Palestinians to resolve fundamental and difficult issues. A process needs to be designed, crafted and finessed for the time in which it operates.

Most strikingly, I remember that during the heyday of the 1990s, at the signing of one of the agreements, Chairman Arafat sought and did amend the completed document on the podium in front of the world's press and those assembled for its final signature. It has always struck me that we need to think carefully about how we support or create such a relationship. This Motion fails that test.

5.07 pm

**Lord Palmer of Childs Hill (LD):** My Lords, my noble friend Lord Steel asks the House to “take note” of a recent resolution in another place. Whatever the intention, in no way does “take note” mean “endorse”, unless noble Lords have a different dictionary from mine.

There is to be no vote in this House at this time recognising the state of Palestine, because that is not what we are doing. I support the creation of a state of Palestine in due course alongside Israel as being the current policy of recognising Palestine once it has been created in negotiations between the parties. I do not welcome the resolution simply because, as a friend of the Israelis and the Palestinians, I do not believe that there is any alternative to those two nations, with the support and pressure of the outside world, sitting

[LORD PALMER OF CHILDS HILL]

down and settling their differences in negotiations, with painful compromises being made by both sides.

The noble Lord, Lord Sacks, who cannot be present today, said on “Thought for the Day”:

“Peace is a duet scored for two voices; and someone who thinks that one voice can win by drowning out the other just hasn’t understood what a duet is”.

Painful compromises would be on issues including borders, security, the compensation and resettlement of hundreds of thousands of Jewish and Arab refugees and the vexed question of Jerusalem. Israel has welcomed refugees, including 850,000 who fled Arab lands, those who fled eastern Europe and elsewhere, and currently the flood of refugees from France fleeing anti-Semitism. Likewise, the refugees in the West Bank and Gaza need to be granted full citizenship and rights in a new Palestinian state.

Passing a resolution in another place to recognise a Palestinian state in territory now controlled by Israel would do absolutely nothing to resolve those difficult issues, nor would it actually create a Palestinian state, as my noble friend Lady Warsi said. That is why I believe that the Palestinians’ attempts since 2011 to secure a unilateral declaration at the UN have been fundamentally mistaken and should not be supported. Nothing has changed since President Obama said three years ago:

“The only way that we’re going to see a Palestinian state is if Israelis and Palestinians agree on a just peace. And so I strongly believe that for the Palestinians to take the United Nations route rather than the path of sitting down and talking with the Israelis is a mistake; that it does not serve the interests of the Palestinian people”.

Indeed, my right honourable friend the Deputy Prime Minister, when he met Mahmoud Abbas in 2013, said that,

“the UK stands ready to do all it can to reach a negotiated agreement leading to a safe and secure Israel living alongside a viable and sovereign Palestinian state”.

The tragedy is that we know what a peaceful settlement to the conflict would look like, and a lot of compromise is needed, as other noble Lords have said. The four settlement towns, just on the wrong side of the 1967 truce line, would have to be incorporated into Israel with land swaps, and all the rest of the settlements would go. I think it would surprise some noble Lords, and certainly other people outside this House, to know that there is no dispute about the border with Gaza. Forty years ago, few would have believed that Israel would enjoy peaceful relations with Egypt and Jordan. That peace was achieved not by unilateral gestures by one of the parties but by both sides reaching out to the other in a genuine spirit of compromise. When one looks at other territorial conflicts that have resulted in the creation of a new state, East Timor, South Sudan and Bosnia are examples of such states being created through negotiations and the hard work of the international community, not as a result of a divisive and confrontational unilateral declaration.

Finally, when my noble friends the Minister and Lord Steel reply, I hope that they will answer this question: how does Israel negotiate peace with a so-called unity Government including Hamas, whose declared

aim is the annihilation of the State of Israel and which, since Israel withdrew from Gaza in 2005, has launched more than 11,000 rockets at Israeli towns and villages? Certainly, I support a state of Palestine, but by a negotiated agreement, with pressure from all friends and enemies of both to get the two sides to sit down and actually hammer out an answer. That is the only way that we will have the realism of a Palestinian state.

5.12 pm

**Lord Stirrup (CB):** My Lords, of course we should recognise the state of Palestine—when that state exists. It patently does not exist at the moment, so what is the purpose of recognising an unreality? The resolution in the other place suggests that it would be to contribute to the achievement of a negotiated two-state solution—in other words, to help the process rather than to circumvent it. If that is the case, one has to ask: what are the current obstacles to such a solution, and would recognition help to overcome those obstacles?

There are certainly obstacles on both sides of the argument, and it is undoubtedly true that a number of these have been created by the Government of Israel. This has naturally led to immense frustration and to a sense that something must be done to change the thinking of the leadership in that country. I agree, but will recognition of an as yet barely embryonic Palestinian state achieve that aim? The noble Lord, Lord Steel of Aikwood, has rightly talked about signals, but we need to think about the sum total of the signals that we send.

The majority of people in Israel still support a two-state solution, and many of them are frustrated by the actions of their own Government. However, they are also frustrated by the lack of vision and leadership among the Palestinians. They understand that a negotiated settlement requires political courage, and they see little of that on either side. That is why, despite supporting a settlement, most of them are pessimistic about the prospect of one being achieved in the near term. What is likely to be the reaction of these people to international recognition of a Palestinian state? We can judge this from their response to the parliamentary Motions already passed. They acknowledge the mistakes of their own Government, but they feel that the international community is acting partially and unfairly towards Israel.

In the context of the aim of this Motion, it does not matter whether that is a fair judgment. What matters is the perception of Israeli citizens, citizens who are also, at this critical moment, Israeli voters. International recognition of a Palestinian state, when the foundations of that state—most critically, the long-term security arrangements—are left unresolved, plays straight into the hands of those in Israel who argue against concessions to the Palestinians. It will make the Israeli Government more, rather than less, intransigent.

On the Palestinian side, it will make the leadership less willing to address seriously the difficult concessions that they will have to make if there is to be a lasting two-state solution. They have already shown a marked reluctance to face up to these issues. If they believe that, more and more, the international community will press their case for them, I fear that the chances of

their summoning the necessary political will and courage to take on the rejectionists in their own community will become vanishingly remote.

For these and other reasons which I regret I cannot adequately cover in four minutes, I do not think that the timing of this resolution is helpful—indeed, quite the opposite. But I do not wish to end on that negative note. The plight of young Palestinians in the West Bank and Gaza is too serious for that, not to mention the wider implications for international security. So I will respond to the challenge thrown out by the noble Baroness, Lady Warsi.

We do not have to, and nor should we, simply sit here and cry into our beer over the failure of the Kerry initiative. There are things that the international community can and should be doing to move the situation forward, short of a full settlement—things in which I believe this country can play a major role. There is no opportunity to discuss them today, but on 5 March, my noble friend Lord Luce, who could not be in his place this afternoon, has secured a debate in Grand Committee on the two-state solution. I hope that we can take that opportunity to look in detail at the further initiatives that Her Majesty's Government might pursue in this very difficult and very sad case.

5.17 pm

**The Lord Bishop of Southwark:** My Lords, I was privileged earlier this month to spend a week in Gaza and the West Bank. I went as an Anglican participant in the annual visit of the Holy See's co-ordination group of bishops in support of the church in the Holy Land. It was very challenging to see at first hand the current situation in Gaza and more widely in the West Bank.

The recent cycles of violence in the Gaza region represent the worst kind of failure in human relationships. The terrible destruction means that families continue to live in extreme temperatures in the shells of their homes. Indeed, we heard of the death of two infants that same weekend as a result of exposure. The halting of rebuilding due to a lack of funding from the international community and external restrictions, coupled with the hardship that the continued closure imposes on the ordinary people of Gaza, means that the tense peace grows ever more fragile. The international community cannot and should not stand idly by. I hope that DfID takes note of this and works towards increasing aid provision to UNRWA.

Despite this, it is also clear from the many people whom we met that, even in these terrible situations, the human spirit still has hope. It is humbling to see, yet, without change, that hope will eventually ebb away. Throughout the visit, we heard skilled people saying that, while they would remain, for their children there was little hope. Emigration is seen as the only answer.

Emigration affects in particular the rapidly diminishing ancient Christian communities of the region. They are a vital building block for a long-term, sustainable peace. Continual marginalisation makes the prevailing political situation more difficult, especially in Jerusalem. The separation barrier and the accelerating settlement activity are also matters of considerable concern. These divide communities, making peace much harder, as

well as breaching international law and, therefore, breaching the responsibilities of nationhood. Difficult as it will be, energy needs to be directed into building and rebuilding bridges of trust, not walls that divide.

The two-state solution is the only credible outcome. On the occasion of the debate in the other place, Anglican and Catholic Church leaders in this country signalled their support for the recognition of Palestine. The joint statement by the Catholic Bishop of Clifton, Declan Lang, and my colleague the right reverend Prelate the Bishop of Coventry, reflects also the desire of the churches in the Holy Land. Recognition is essentially a diplomatic decision that needs to be taken at a moment that either results from negotiated peace or helps to relaunch that process, which may well be preferable. However, we need to be sure that the rights and responsibilities that go with statehood can be honoured. Part of this is the essential recognition that Israel has a right to a secure and peaceful future in which its continued security and existence is guaranteed.

Crucially, when recognition comes, as I believe it must, we need to have a care for the minority communities of Israel and Palestine; they must have hope and security about their place, too. The recent experiences of Sudan and the Balkans demonstrate how easy it is for ethnic or religious minorities in new nations to be squeezed out in a bid for a common national identity. In a region where ethnic and religious pluralism has long been part of the fabric of communities, yet is under increasing pressure in both Israel and the West Bank, this is a considerable concern. Indeed, the concerns of Arab Israelis and non-Muslim Palestinians are often unheard in these discussions. I ask the Minister what Her Majesty's Government's assessment is of the dangers minorities face as a result of the emergence of two states, and what work is being done to bolster and support the fragile ancient Christian communities that are, in my view, so vital for peace.

5.22 pm

**Lord Leigh of Hurley (Con):** My Lords, I wholeheartedly support and hope for the establishment of a sovereign Palestinian state. Make no mistake though: this process requires the involvement of both Israel and the Palestinians. Peace talks require the participation of both parties and, as my noble friend Lady Warsi pointed out, the friends of both parties. A peace agreement requires the signature of both parties; a lasting peace requires commitment from both parties.

Unilateral actions are profoundly detrimental. First, unilateral steps undermine the accepted framework of direct negotiations. They run counter to every argument, resolution and road map produced in the last 20 years—a framework that has brought peace tantalisingly close on several occasions. Secondly, Palestinian unilateralism fails to take into account the complicated, key permanent-status issues that have been mentioned, including borders, security, water and refugees, which can be settled only by the agreement of parties in direct talks. Thirdly, unilateral recognition of statehood would reward the PA, at a time of heightened terrorism and official PA incitement against Israel, for choosing Hamas as its partner—as has been mentioned, the recent attack in Jerusalem was supported by Hamas. Unilateral recognition

[LORD LEIGH OF HURLEY]

would fail to dissuade Hamas and other Palestinian factions from using violence and terrorism to advance their agenda. Fourthly, unilateral Palestinian actions allow the Palestinians to ignore Israel's legitimate concerns, especially regarding security issues and the basic need to recognise the right of Israel to exist.

The topic of Israel and the Palestinians never fails to provoke strong feelings in advocates and in your Lordships' House. Regrettably, it seems there is an obsession by some to return constantly to Israel and Israel alone—0.01% of the world's land. Israel is perceived as the purveyor of bad deeds, while the evil perpetrated by others in so many states is ignored. The French Prime Minister was recently moved to point out that such anti-Zionism was a thin veneer for anti-Semitism. The tweets of certain MPs have unhelpfully stoked the flames. Conversely, Israel is the only democracy and meritocracy in the region. It does not allow its citizens to be lashed every week for expressing democratic views on a website, does not throw political opponents from the rooftops of tall buildings and does not deny the equal rights of all its citizens, including gays, Christians and Muslims. It is safe to say that these are not principles universally upheld by Israel's neighbours and, sadly, in particular by the Palestinians.

How quick people are to forget that Hamas recently expressed remorse for the tragic killing in Paris of French journalists and policemen, but not for the deaths of the Jews who were slaughtered. Hamas makes no secret of its desire to destroy Israel and the Jewish people. This horrifying goal is, after all, at the front and centre of its charter. The leaders of this same group decide to use the scarce resources they are given by countries and taxpayers such as ours not for the intended construction of schools and hospitals, but rather for the construction of tunnels to carry out further indiscriminate killing of innocent Israeli civilians. It should worry everyone in your Lordships' House and beyond that too many in the Palestinian camp are committed to violence and undermine every peace attempt.

In that context, one can, perhaps, understand Israel's apprehensiveness over the genuineness of the PA's commitment to any resumption of the peace process. Israel will be—and should be—expected to make difficult and painful concessions in peace talks. It accepts this, and we have a role to play in making it accept it. Our Government must be commended for their principled assertion that they look forward to recognising and welcoming a Palestinian state upon the successful conclusion of direct peace talks. This position may not necessarily be universally popular but it is the only one liable to bring peace for all parties concerned.

The Government should be congratulated for taking the high moral ground rather than pandering to short-term political manoeuvring, as was seen with the divisive and most unfortunate Back-Bench debate and Motion on Palestinian statehood in the other House last year. It upsets me that this sensitive issue is being treated as a political football by politicians who should know better. Peace will come from open, honest and direct negotiations, rather than by grandstanding from distant parties who have no real awareness of the life and death implications that Motions such as this can have in emboldening extremism and intransigence.

5.27 pm

**Lord Judd (Lab):** My Lords, in introducing this debate, for which I thank him, the noble Lord, Lord Steel, referred to that very impressive article by Sir Vincent Fean. I believe it should be compulsory reading for all who take an interest in this subject. It is a model of experience, wisdom and considered analysis.

Sir Vincent underlined the importance of both parts of the Balfour Declaration. We in Britain have a special responsibility because of all we did to promote the Balfour Declaration. Many on all sides of the debate would agree that nobody paid a higher price for the creation of the State of Israel than the Palestinians. We cannot forget that because it is a reality in their approach to everything.

There has been some dispute about the relationship between the two parties. I am afraid that my experience of visits to the region underlines what the noble Lord, Lord Steel, said about the almost classic colonial relationship. I do not hesitate to use that word because the evidence is there. The checkpoints on the West Bank, the illegal settlements, the control of water and of access to Gaza, the punitive scale of the bombardments of Gaza and the suffering of its people as a consequence underline not only a perception but, I believe, the objective reality of the relationship. That is not to deny the good will and commitment of many Israelis, of whom quite a number, I am glad to say, are my friends.

As a friend of Israel, I believe that candour in conversation and dialogue is essential, which means speaking up about what we know is wrong and about what must be confronted. I am chair of the Middle East committee of the Inter-Parliamentary Union. Only last week we had to cancel a mission to Ramallah and east Jerusalem because at the very last moment the Israelis said that they could not guarantee access to those communities. They had known about the visit for many weeks. They knew that it was the first part of a two-part mission and that we were going to return to Israel as soon as possible after the election, yet still this high-handed action was taken at the very last minute. That underlines the point that I am making.

I can think of nothing that would help to take the negotiations forward better than to put the Palestinians in a position where they could have confidence in their identity—so that they are not second-class players who must be accommodated in the discussions but have confidence that the international community recognises them as a people with their own nation. I lament the failure to be able to start tackling the immense contribution that those two nations, Israel and Palestine, working together, could make not only to their own future but to security and stability in the region.

The dog that has not barked so far in this debate is the Holocaust. We have been commemorating the Holocaust acutely in recent weeks. I was 10 when those camps were liberated and I was left with an indelible impression. I remember the utter distress of my parents at what was being revealed. It was a terrible, terrible thing that happened, and it could happen again so easily, because it took place in a supposedly previously civilised European country. The

point is not that these people were Jewish but that they were people with the rights and dignity of all other people. I simply say that if we are not prepared to stand up and put muscle into our stance on the question of the people of Palestine, where on earth will we be the next time the Jewish people come under attack?

5.32 pm

**Baroness Hussein-Ece (LD):** My Lords, I thank my noble friend Lord Steel for introducing this debate. The resolution overwhelmingly supported by MPs was very welcome. I believe that this issue is one of human rights and the rule of international law. We hear a lot about British values. Although these have not been entirely defined, we must surely all agree as British parliamentarians that the cornerstone of those values must include democracy, individual liberty, the rule of law and tolerance of those with different faiths and beliefs. There is also a need for consistency when we apply them in our foreign policy, especially when we talk about other countries around the world which lack these fundamental values.

The inconsistency that we sometimes see has swung public opinion here in the United Kingdom and across Europe towards the recognition of a Palestinian state and against the appalling injustices and humiliation inflicted upon the Palestinian people indiscriminately—Christian and Muslim alike, as we have heard. Israel has been occupying Palestinian land for nearly 50 years and it has failed to meet its clear international legal obligations as an occupying power. The continuing expansion of illegal settlements that we have heard about is a flagrant violation of international law. All that has contributed to the loss of Palestinian confidence in the peace process.

More and more people in the United Kingdom and across the world have grown tired and outraged as we have witnessed terrible suffering. Anyone with an ounce of human sympathy was absolutely sickened by what we saw in the war last summer, when thousands of innocent people, including 500 children, were killed and schools and hospitals were blown up. This was abhorrent to us all.

Israel has been unwilling to offer a viable Palestinian state through negotiations. It seems oblivious to the damage that the occupation is doing to its society and to the reputation of its country abroad, and that is a tragedy. It is the systematic denial of rights that incites violence among Palestinians. The failure to find a resolution and justice for Palestinian victims in Israel plays as a factor in the radicalisation of militants. This is a fact. We cannot brush it aside. I have heard it said many times that this resolution is premature. Well, 40 years is surely long enough. It is hardly premature.

Last summer I met a group of 14, 15 and 16 year-old ordinary Palestinian boys who came here on an exchange visit. One of them talked about a footballer who was walking home from Ramallah after playing football. He was shot by an Israeli sniper in the legs while walking home. It was tragic hearing his story. He will not be playing football again but it has left him with a hatred.

Britain cannot simply turn its back on the people of Palestine, issue warm words of restraint and proportionality, or repeat a theoretical mantra about

two states from the sidelines. As we have heard, Britain has not only a unique historical connection but a moral responsibility to the people of both Israel and Palestine. To make our recognition of Palestine dependent on Israel's agreement would be to grant Israel a veto over Palestinian self-determination. We cannot sit by and tolerate occupation, the blockade, further expansion of illegal settlements, and the never-ending cycle of violence, causing fear on both sides of the conflict.

We hear a lot about how Britain has apparently given away sovereignty to the EU. British people would surely feel that it was completely wrong in principle and in practice, if another sovereign state, be it Israel or any other country, determined our foreign policy. That is what the Government in their wisdom could be in danger of doing with recent abstentions. The majority of Palestinians are under 20, growing up stateless in intolerable conditions. We must offer them hope. We must encourage voices of peace and moderation in both Israel and Palestine. Recognition is morally and politically right.

5.37 pm

**Lord Bew (CB):** My Lords, as chairman of the Anglo-Israel Association, I listened with great respect and interest to the words of the noble Lord, Lord Steel, as he introduced the debate. I was particularly struck by his reference to the words of Sir Vincent Fean, a fellow countryman of mine, who was formerly our consul in Jerusalem and before that our ambassador in Libya. Indeed, I spent a very instructive time as part of a delegation sent by the previous Government to negotiate certain matters with the then Gaddafi regime. I spent a lot of time listening to Sir Vincent's advice, and I know that he is an expert on the affairs of the region.

The test for projected acts of good authority by this Parliament is an important one—the test of strengthening the moderates on both sides. It is three and a half months since this Motion was debated in the House of Commons. It is interesting to look at the impact, such as it was, of the Motion and the vote. For example, on the Palestinian side, in the wake of the recent murders in Paris, the *Palestinian Daily*—not a Hamas propaganda sheet—declared that it was the work of Mossad, which was the only force that would benefit from this. That tells us something about the quality of opinion—84% of Palestinians, according to polling, agree. That is the response to what happened recently in Paris within that community. There is no indication that moderates have been strengthened as a result of the projected act of good authority of our Parliament three and a half months ago.

If we look at Israel, noble Lords will be aware that there is an intense debate in Israeli society about the peace process and the future strategy in that area. It is an intense debate, above all—as it should be—about negotiation with Hamas, and whether or not it is plausible. Noble Lords will be aware that the intelligence services are divided. Senior people in the intelligence services are well known to take views different from those of the current Government. They will be well aware of the fact that senior military people take different views and that the political class in Israel is divided on these matters.

[LORD BEW]

There is an intense and vigorous debate. Is there any indication whatever that the debate in our own Parliament three and a half months ago has played into this in any particularly positive or interesting way? I detect absolutely no sign of that. The debate went on before; I see no sign, however, of moderates being strengthened in any particular way. There is a reason for that. It is very hard to perform a moral airlift in a situation where there are incredibly complex, difficult, strategic decisions to be made—most of all, negotiating with opponents who pledge themselves to your destruction. It is very hard to achieve a moralistic input from outside in such a sharp and difficult situation.

I conclude, however, by saying something about a two-state solution, which I, along with so many Peers, strongly support. I urge against pessimism on that subject. In general, I do not accept analogies with the Irish peace process, because the situation is so much more bitter in the Middle East and because of the selfish strategic interests of a number of outside powers—something we have not talked about—selfish strategic interests that did not apply in the Irish case. However, one analogy I will accept is that for a long time, since the first serious attempt to do it in 1974, it was clear that there was only one way to achieve an historic compromise in Ireland. There had to be power sharing, and there had to be respect for an Irish dimension and respect for the principle of consent. It took 28 years to get back to that and it is now the basis of a settlement. If intelligent, rational opinion looks at the problem and says that there is only one possible outline of an historical compromise, that is because there is only one possible outline of an historical compromise. It is the case in the Middle East. It sometimes takes far too long to achieve it and it is not just around the corner, but it is still the case.

5.41 pm

**Lord Mitchell (Lab):** My Lords, I, too, congratulate the noble Lord, Lord Steel, on securing this debate. It is not like me to quote from Hamas's *Covenant of the Islamic Resistance Movement*, dated 1988, but I think it is highly relevant to this debate. After all, Hamas is an important and influential part of Palestine. So I will start with Article 11, which states:

"The Islamic Resistance Movement believes that the land of Palestine is an Islamic Waqf consecrated for future Moslem generations until Judgement Day. It, or any part of it, should not be squandered: it, or any part of it, should not be given up".

Article 13 says:

"There is no solution for the Palestinian question except through Jihad. Initiatives, proposals and international conferences are all a waste of time and vain endeavours. The Palestinian people know better than to consent to having their future, rights and fate toyed with".

Finally, the highly relevant Article 22 says:

"For a long time, the enemies—"

by enemies, I think it means the Jewish people—

"have been planning skilfully and with precision, for the achievement of what they have attained. With their money, they took control of the world media, news agencies, the press, publishing houses, broadcasting stations, and others. They were behind the French Revolution, the Communist revolution and most of the revolutions we heard and hear about, here and there. They were behind World

War I, when they were able to destroy the Islamic Caliphate, making financial gains and controlling resources. They obtained the Balfour Declaration, formed the League of Nations through which they could rule the world. They were behind World War II, through which they made huge financial gains by trading in armaments, and paved the way for the establishment of their state. It was they who instigated the replacement of the League of Nations with the United Nations and the Security Council to enable them to rule the world through them. There is no war going on anywhere, without them having their finger in it".

That leaves not much room for doubt as to exactly where Hamas stands and how it views negotiation. And do the words not sound familiar?

Israel has initiated its fair share of unilateral withdrawals, all of which have come back to bite it hard. In 2000, it unilaterally withdrew from all of south Lebanon. Today, this land is run by Hezbollah, which is sworn to Israel's destruction. In 2005, Israel unilaterally withdrew from all of Gaza. In less than a year, Fatah was overthrown and Hamas took over. We know the outcome of that move.

Were Israel to unilaterally withdraw from the West Bank, the results are entirely predictable. In just a heartbeat, Hamas would overthrow the PA, just like it did in Gaza, and just as its charter commands. Even more rockets would be targeted at Israel and even more tunnels would be built. This time they would be just a few miles from Tel Aviv and Jerusalem. For Israel, this would be suicide and it is simply not going to happen. Why would it contemplate another flawed withdrawal?

Ever since 1967 I have supported a two-state solution. Even then, at the tender age of 24, I can remember saying that there is no such thing as a benign occupation. I abhor the settlements and I think that the current Israeli Government are totally wrong in their approach to the Palestinians. I say to the noble Baroness, Lady Warsi—who is a friend—that I campaign against the settlements. But I have to say that resolutions to unilaterally back the creation of a Palestinian state are not the answer.

What is the answer is negotiation between the parties for a just and durable peace. Three times Israel has offered a peace settlement based on 1967 borders, and three times the Palestinians have rejected it outright. Yet no matter how difficult or frustrating it may be, negotiation is still the only game in town.

5.46 pm

**Lord Green of Deddington (CB):** My Lords, I declare an interest as a former chairman of Medical Aid for Palestinians. I would like to speak in support of the noble Lord, Lord Steel of Aikwood, whose commitment to peace in the region is of very long standing and widely respected.

Like others here today, I have been following events in the Middle East for about 50 years. Indeed, my studies of Arabic were interrupted by the 1967 war. But we now face a situation in which, after some 20 years, the peace process has yet again ground to a halt. That has three inevitable consequences. First, Palestinian, Arab and Muslim frustration can only grow, driven in considerable part by the perception of double standards and by the matters that the noble

Lord, Lord Judd, so forcefully described. Secondly, the arguments of Islamic extremists can only be strengthened. Thirdly, the risk of disorder in the Occupied Territories can only increase. I cannot see how those outcomes can possibly be in the interests of Israel itself.

There must now be some sign of progress, however limited, some indication that the West has heard their grievances. The recognition of Palestine by the UK would be such a sign. It would be a sign, not an instant solution and certainly not a proposal for unconditional withdrawal. When the Swedish Government recognised Palestine last year, they gave three reasons: to make the parties to the conflict less unequal; to support the voices of moderation in Palestine; and to sustain hope in both countries at a time of increasing tensions and when no peace talks were taking place. I would add one further reason: to confirm the permanence, and indeed the inevitability, of a Palestine state. Those are the reasons why Britain should now follow suit. We should not exaggerate our influence, as the noble Lord, Lord Bew, indicated. Our influence is now very limited in the region. But symbolism has its own importance, particularly from a country that played such a leading role in the establishment of Israel.

HMG have made it clear that they are not opposed in principle to Palestinian statehood. They regard the timing as a matter of judgment. Regrettably, I find myself once more in disagreement with the Government's policy in the Middle East. I was strongly and publicly opposed to the invasion of Iraq, the attack on Libya and the bombing of Syria. I venture to say that my judgment was not too far out on any of those issues. More recently, I have warned that the situation in the Middle East is more dangerous than it has been for two generations. We can no longer disregard the pressures building up in the Arab and Muslim world, with their inevitable implications for our own society. The time for movement on this issue is now.

5.49 pm

**Baroness Morris of Bolton (Con):** My Lords, in a powerful speech at RUSI last October, my right honourable friend Sir Alan Duncan said:

"No one who has travelled to Israel and Palestine ... can fail to become emotionally engaged in the rights and wrongs of the arguments between the two. The Israeli-Palestinian dispute is one of the most polarising and vexed issues in the world".

How right he is.

I declare my interests as the Prime Minister's trade envoy to the Palestinian territories, chairman of the Conservative Middle East Council and president of Medical Aid for Palestinians, in which role I follow in the illustrious footsteps of the noble Baroness, Lady Kennedy of The Shaws, my noble friend Lord Patten of Barnes, who I am pleased to see him in his place, and my noble friend Lord Steel of Aikwood. I am enormously grateful to my noble friend Lord Steel for giving us the opportunity to debate the indivisible right of the Palestinians to self-determination.

I travelled to the Occupied Palestinian Territories twice in December. Just before Christmas, I had the pleasure of travelling with my noble friend Lady Warsi on a Caabu and Medical Aid for Palestinians delegation.

Earlier in the month, as trade envoy, I visited Gaza. I had not been to Gaza since 2011 and I was shocked not only by the devastation caused by last summer's bombing but by the general deterioration. There is hardly any fuel, people cannot keep warm, and every other mode of transport is a donkey and cart—and most of the donkeys are lame. The international donations promised at the Cairo conference to rebuild Gaza are not materialising, and young children are dying from the cold. We are honouring our commitment, and many people have found a warm home through the money that DfID has given to pay rents.

In the West Bank, I witnessed ever-increasing settlement building, the threatened removal of the Bedouin from their lands to townships and a proposal to extend the wall—or the separation barrier—in the Cremisan Valley, a most beautiful part of Bethlehem, which will separate the land from local farmers and religious communities.

I also witnessed the work of and pay tribute to some amazing and dedicated Israelis who are working tirelessly for Palestinian dignity and self-determination. I never fail to be impressed by the resilience and good humour of the Palestinian people, but it is hardly surprising that they have had enough. It is also hardly surprising, when they are constantly told that the time is not right, that they have sought to take matters into their own hands. In an article in the *Guardian* on 9 November 2011, just before the Palestinians applied for full member status at the UN, my right honourable friend Sir Nicholas Soames and I warned:

"The UK cannot support the right to self-determination in every country in the Middle East and then deny the same right to the Palestinians. The World Bank, IMF, UN and EU have all assessed the performance of the Palestinian Authority and reported that it is ready for statehood".

Recognition will bolster those Palestinians who believe that the path of non-violence will lead to a state coming into being through diplomacy and democratic expression, not destruction, a state which lives side-by-side with Israel in peace and prosperity.

There are those who seek to make recognition of Palestinian statehood dependent on the conclusion of successful peace negotiations. I believe that such negotiations will not come to fruition without Palestinian statehood. Time is running out for all the conditions to be met. How can we talk about a two-state solution when we recognise only one state?

In 2010, President Obama promised in his speech to the UN that Palestine would be a new member of the United Nations by September 2011. That promise was endorsed by the United Kingdom. We should fulfil that promise now.

5.54 pm

**Lord Davies of Stamford (Lab):** My Lords, I think that it would be a profound mistake to recognise Palestine in the present state of affairs, for a very simple reason. I am certain that all of us want peace in the Middle East, and most of us believe that the only realistic means to achieve that is through a two-state solution, but that will require the most difficult and intricate negotiations. The Palestinians will have to give up a large amount of land on the other side of the security fence. The Israelis will have to withdraw

[LORD DAVIES OF STAMFORD]

settlements from the rest of the West Bank, including some extremely expensive agricultural investments in the Jordan Valley. The Israelis are going to have to accept that, contrary to their principle that Jerusalem should never be divided again, east Jerusalem will become the capital of the Palestinian state and that there is reasonable access to it. Not only issues of land will arise: there will be the need to make generous compensation to the 1948 refugees and, on lesser scales, to their children and grandchildren. No doubt we will all be invited to contribute to that, if and when the time comes.

One of the prizes will undoubtedly be recognition of the Palestinian state and to take that element out of the deal in advance and give it away free, with no countervailing concessions being required from the Palestinian side, seems an elementary mistake—in fact, an incompetent way of conducting any negotiation. There is another reason why it would be extremely dangerous: it would inevitably reinforce the absolutely fatal besetting illusion of the Palestinian leadership over the generations—for nearly 100 years now—that it somehow does not need to confront the reality in which it lives. The illusion is that it does not need to deal with Israel itself and can always hope that some *deus ex machina* will come from outside and solve its problems for it, giving it the concessions that it requires.

Way back before the Second World War the Jewish Agency, then led by David Ben-Gurion and Moshe Sharett, made several attempts to enter into a negotiation with the Palestinian leadership of the time—the Arab leadership, as it was then called. No doubt an interesting deal might have been done, certainly one on far better terms than were available subsequently to the Palestinians. But these initiatives were completely rejected and the Grand Mufti, the leader of the Palestinians or the Arabs as they were then called, proceeded to believe that either the British or the surrounding Arab states—or, in his case, Hitler—would come to their rescue and solve their problems for them.

Then in 1947 we had the partition resolution of the United Nations, which the Palestinian leadership rejected, preferring a war. It got a war and lost it, then found itself in a far worse position than it had started off with. In the 1950s and 1960s, under the terrible leadership of Ahmad Shukeiri, the Palestinians again rejected any recognition of Israel's existence and believed that terrorism and war would solve their problems. They had another war in 1967, and once again found themselves in a far worse position than they had previously. Then we had the Camp David meeting, when Yasser Arafat refused even to consider an offer which would have resulted in 97% of the West Bank being handed over to a Palestinian state, to the amazement and consternation of President Clinton and everyone else who was present. Arafat thought that a second intifada would solve his problems. Needless to say, he eventually found that that did not work either.

It has been a terrible history. We will only reinforce that history and that absolutely fatal obsession of the Palestinian leadership, with its belief that it can delude itself and not accept reality, if we were now to offer it that concession in advance. I hope that we do not do that. I am not suggesting that there is much chance of

a settlement in any circumstances at present. Quite clearly, Benjamin Netanyahu is a prisoner of his coalition and Mahmoud Abbas, unlike the Grand Mufti or Yasser Arafat in their day, does not have the position and prestige in the Palestinian community to be able to carry off a settlement. We will have to wait a while but, while we wait, we should not destroy the future basis of what might be the only framework for peace. We would do that if we were to adopt the course of recognising the Palestinian state prematurely.

5.58 pm

**Lord Williams of Baglan (CB):** My Lords, the noble Lord, Lord Phillips of Sudbury, has asked me to apologise for his not being able to participate in this debate. This debate is timely and I strongly endorse the initiative of the noble Lord, Lord Steel, in that regard. It is timely because there is now no peace process and this debate will be helpful in perhaps moving towards a peace process again in the future.

Here I declare an interest, as I worked for both the former Government and the United Nations as a special envoy on the Middle East for several years and got to know both parties—the State of Israel and the Palestinian Authority—very well. I saw the former United States Secretary of State Condoleezza Rice working against the clock in 2008 to secure a peace agreement between the then Government of Ehud Olmert and Mahmoud Abbas of the Palestinian Authority. Alas, her efforts did not succeed.

This year, President Mahmoud Abbas will be 80 years old. Israel will not find a more moderate leader and should be using this time to secure an agreement with President Abbas, working with zeal towards that end, instead of continuing with a profoundly destabilising programme of settlement building throughout the West Bank. All friends of peace in the region must ask what the purpose of that programme is. What is the purpose of building roads in the West Bank on which Palestinians cannot travel? Self-evidently, those measures, those roads and those settlements clash with the goal of peace.

The resolution recognising the state of Palestine will be a step in the right direction, reinforcing the status of the Palestinian Authority. We speak of two parties—some noble Lords spoke of two nations—but they are, of course, not equal. One is a state now approaching its 70th year, with enormous economic and military resources unequalled in the Middle East, and the other is an authority unable to challenge encroaching settlements that are being built apace. Recognising a state of Palestine would go some way to rectifying this imbalance. Our actions will strengthen the hands of those genuinely seeking a peace agreement on both sides.

The United Nations itself could do much more. The UN is the convenor of the peace process and of the contact group bringing together the US, the Russian Federation, the EU and the UN itself. The Secretary-General, Ban Ki-Moon, is now in his penultimate year of office and not seeking a further term. He should use the ample political space that is now before him to take a real initiative, be bolder in the search for peace and work towards a conference such as the one held by

President Bush in Annapolis in 2007. Sadly—and this in itself tells us so much—President Obama is not able to do this, because of his own very fraught relationship with Prime Minister Netanyahu. Perhaps the Secretary-General might do so alongside that great Israeli statesman, Shimon Peres, for whom President Abbas has deep respect. Recognising a Palestinian state, in line with other great democracies, would be a great step forward.

I will end by referring to a recent film, “The Gatekeepers”, which some noble Lords will be familiar with. It is an extraordinary testimony to the strength of Israeli democracy. I do not think we could see a film like it in this country, at least not yet. The film’s producer was able to interview six former heads of either Shin Bet, the internal intelligence service, or Mossad, the external service. I will quote the words of one of the former directors, Ami Ayalon, who subsequently went into politics and whom I know well. In the last moments of the film, he says:

“My son, who served three or three and a half years in the paratroopers, took part in invading Nablus at least two or three times”—

the word invading is his. Nablus is a city on the West Bank of course. He goes on:

“Did this bring us victory? I don’t think so”.

In the final frames of the film, he says that the “tragedy” is that,

“we win every battle, but we lose the war”.

We have to help both sides—Israel perhaps in some respects more than the Palestinian Authority—to advance towards peace.

6.04 pm

**Lord Winston (Lab):** My Lords, I would like to take a slightly different tack in this debate: I want to talk about Joseph ben Ephraim Karo. He was a very distinguished scholar who was born in 1488. His family was expelled from Toledo in Spain by Ferdinand II and Isabella I as a result of the Alhambra decree. Most of the family died on their travels across the Mediterranean. Rabbi Joseph Karo, as he later became, survived and ended up writing one of the most important books of Jewish literature, the *Shulchan Aruch*, which is still regarded as the definitive description of Jewish law. Among other things, it is a model of moral attitudes to other people, which is one of the issues that it discusses.

After Portugal we lose exactly where Karo went, but after travelling through Turkey and, briefly, Greece, he went finally to Israel—where he intended to go all the time—landing in a place now called Tzvat, or Safed, in the north of Israel. There he established a synagogue, which I have visited, and his tombstone is there. I think that my family are the 21st generation of his direct descendants. They came to this country in 1680 and I regard myself as totally British in every way, respecting British values in absolute terms and delighted to be here rather than anywhere else. However, I am also a Zionist.

Karo lived in Safed, which I for the first time in 1958, at a time when Israel was the most liberal democracy anywhere in that part of the world, an extraordinarily socialist democracy that believed altruistically in the right of all people to live. Incidentally,

I was very surprised to hear the right reverend Prelate talk about the status of Christians in Israel; after all, in Israel Christians are protected in a way that they are not in any other part of the Middle East, so it was a shock to me that he felt the way that he did.

I have been many times to Safed since 1958 and saw the gradual erosion of those principles as the reality of constant threat ground Israel down and threatened it more and more. It started with the fedayeen.

Safed is six miles from the Syrian border—a walk—and we know what is happening on the other side of that border. About 10 miles to the north is Lebanon, where we know that there are child soldiers, of whom we have seen photographs only this week in the British press, carrying automatic weapons and machine guns. One absolutely understands the horrible situation of the Palestinian people; no one could possibly tolerate what has happened to them, and no one can do anything other than despair at their plight and their despair and the shock that they suffer. The problem seems to me to be rather well expressed by the situation in the town of Safed at the time when Karo lived there, when there were around 14,000 Jews. We know that, incidentally, from a Syrian who visited him, one Yahya al-Dahiri, who wrote a very interesting essay about Safed.

A state has a duty to protect its citizens. Seeing people being beheaded on the border across the way, seeing absolute anarchy in all the states surrounding them and hearing the kind of language that the noble Lord, Lord Mitchell, referred to from the people who are currently in charge in Gaza—which of course Israel evacuated—the Israeli Government, wrong though I think they are, continue to dig their heels in. As my noble friend Lord Davies said, we cannot possibly give way to the idea of recognising a Palestinian state at this stage; I believe strongly that it would make the situation worse, and would justify the continuation of the kind of threats that we have seen.

I think that there are few people in this Chamber who read Arabic; I know that the noble Lord, Lord Green of Deddington, does. Anyone who does will know that since 1948, six and seven year-olds have been subjected to the worst kind of anti-Semitism in the writings they are given in their schools—far worse than anything that the Nazis put out at the time of Auschwitz. We have to say that that really is a very serious problem.

There is hope. A few months ago, I went to a wedding in an Arab village in Israel and there an Arab man was hosting a strictly Jewish, kosher wedding. He had a partnership with a kosher caterer to make certain that his guests loved what they saw. It was a terrible tragedy for him because, as noble Lords might remember, in the Middle East last January there was a massive snowstorm. The reason why the bride had chosen that Arab village was that it was a totally safe, wonderful place where one felt completely at ease looking over the hills—but at one moment, all his vines were destroyed in the snow. He then went out and replanted them, because he wanted to try to satisfy that Jewish bride.

There is hope in Israel. We have to try to nurture that hope, and I do not believe we can do it by strengthening what are already the resolutions that are going to lead to violence.

6.10 pm

**Baroness Tonge (Ind LD):** My Lords, I thank my noble friend Lord Steel for securing this debate. It is a privilege to follow the noble Lord, Lord Winston—although he might not have thought that I would say that—but I have to tell him that I do not read Arabic or Hebrew and therefore I cannot judge what either side says to the other.

It is an irony to me that our Ministers and most of the media call the bunch of murderous criminals waging war in the Middle East at present Islamic State, when they are neither a state nor Islamic. Why do we inflate their importance in this way? I find it insulting to the Palestinians that, after 48 years of occupation and 68 years since the Nakba, they cannot also be called a state—the state of Palestine.

The Palestinians have tried—oh, they have tried—non-violent demonstrations, violent intifada and talks upon talks upon talks, with the goalposts always being moved by Israel, the USA or the quartet. They have held well monitored and fair elections, with the result not acknowledged by the Government of Israel or the West because the wrong side won. They have shown that they can run their own affairs. They have even recognised the State of Israel, as has Hamas, within the 1967 borders. Because they were said to be divided, they formed a unity administration with Hamas, only to have that rejected too. Now, having secured observer status at the United Nations, it is, of course, the wrong time for full recognition: it is always the wrong time for Palestine.

Palestine has now applied to join the International Criminal Court to seek justice for its people, so what happens? Taxes and funds are withheld by the Government of Israel and the USA. In the mean time, the reconstruction of Gaza, paid for by the international community following the murderous war in the summer, is being obstructed by the Government of Israel. Gaza festers and anger is building. I wonder what the Palestinians should do next.

The continuing injustice to the Palestinians and the hypocrisy of the West in regard to international law have sown the seeds of Islamic fundamentalism in the Middle East, and we are now seeing the consequences. Continuing failure to create a state of Palestine and stand up to the Government of Israel is causing trouble for us all. Israel is becoming a pariah state, and, because of its cruelty towards the Palestinians, the general public are conflating the Jewish State of Israel with Jewish people all over Europe; and so anti-Semitism has reared its ugly head again. When those of us who criticise the Government of Israel are accused of anti-Semitism by the Israel lobby, it further reinforces the view that Jewish people everywhere support the actions of the Israeli Government. Can the Jewish community not understand this? It is not responsible for Israel's actions: of course it is not. Why, therefore, do its leaders not speak out in condemnation of the injustice to the Palestinians at this time? Why, oh why?

I admit that the situation has probably gone too far for a gesture towards the Palestinians to have much effect, but if we led Europe into calling for a Palestinian state now—“no ifs, no buts”, as the Prime Minister loves to say, and no more conditions—it would show

that we were on the side of justice and wanted to uphold international law, which should be our guiding star.

I conclude by asking the Minister: if the answer is again, “No, it is not the right time”, will he tell us what the Palestinians should do now?

6.15 pm

**Lord Farmer (Con):** My Lords, I, too, thank the noble Lord, Lord Steel, for this debate. I must acknowledge that many among your Lordships know far more about this long-standing conflict than I do. However, the shakiness of the implicit premise of this debate concerned me so deeply that I felt unable to keep silent.

I am deeply uneasy about glossing over the very real stumbling blocks that justice prevents us from treating as minor irritations, most notably the statements in the Hamas charter of murderous intent towards its neighbour, the State of Israel. We are being asked to treat the Palestinian state as equally valid with Israel when there is an explicit commitment to destroy the people who live across its borders. I am fully committed to the Government's approach of working toward a negotiated and meaningful peace agreement that results in an independent Palestine thriving alongside a safe and secure Israel, but both of those are essential.

How can Israel be safe and secure when Palestine is committed to its destruction? Further, I have grave concerns that this would be a state that violated the human rights of minorities living within its borders to practise their religion freely. The recognition of Palestine, without a negotiated settlement with security for adherents of all faiths at its foundation, would exacerbate the already precarious situation for Christians in the Palestinian territories, and especially in Gaza. Under Hamas, the official religion of Gaza is Islam, the country exercises sharia law, and the expression of other religions is challenged.

The *Guardian* and other newspapers report how in Gaza public displays of faith and the open practising of Christianity is extremely risky, and that Christians avoid celebrating festivals such as Christmas in public places. Along with accounts from Reuters a couple of years ago, there is ongoing evidence to suggest that Christians are strongly compelled to give up their faith and become Muslims, whether through the inducement of jobs and houses—which is powerful, as many Christians live in poverty—or through social and more sinister pressure. Proselytisation by Christians in Gaza can be punishable by death. Fear is growing that the population will be completely eliminated through Christians fleeing the territory and forced conversions, whether through the influence of militant Islam or economic pressures.

Without wishing to idealise Israel, in terms of tolerating other religions it stands in stark contrast particularly to Gaza. At a recent lunch I attended, the Prime Minister remarked that Israel is a vulnerable country and yet, against all the odds, it has become an oasis of freedom where the call to prayer mingles with church bells—where Hebrew, Arabic and Aramaic echo down narrow souks.

Creating an environment where Christians are free to worship and flourish is no mean feat in the Middle East given that other countries are also seeing their Christian populations dwindling. Writing in the *New Statesman*, former British and UN diplomat Gerard Russell describes the decline of Christian populations right across the Middle East, whether in Egypt, Iran, Jordan or Iraq. In 1987 Christians in Iraq numbered 1.4 million. Nearly 30 years later the country's population has doubled, but its Christian population has dwindled to 400,000. Of those who remain, many have been forced to leave their homes as a result of militant Muslims' efforts to establish an Islamic state, or caliphate. Russell paints a picture of an impoverished cultural landscape left in the wake of this flight. Historically, Christians have contributed greatly to the preservation of the heritage they share with Muslims, whether that is the Aramaic language in Iraq or Pharaonic hymns in Egypt. The schools run by Christians in the Middle East have educated generations of Arabs and other Muslims.

In summary, I am deeply concerned about what Christians' fate would be in a Palestinian state, given that Hamas is grounded in radical Islam. This, alongside the deeply troubling commitment to the destruction of Israel, which would of course sweep away Christians and other non-Jews, raises questions that have to be considered head on, and can by no means be made the subject of wishful thinking. They will certainly not be made to go away by unilaterally acknowledging Palestinian statehood; in fact they could become harder, not easier, to resolve after that had happened.

6.20 pm

**Baroness Ramsay of Cartvale (Lab):** My Lords, the Foreign Office Parliamentary Under-Secretary of State, Tobias Ellwood, recently reminded another place that it is 67 years since the General Assembly adopted Resolution 181, recommending that two states be formed from Mandate Palestine. The Jewish Agency accepted the recommendation but the Arab League did not, and five Arab armies invaded on the day the new Jewish state declared its independence. That is a bit of history worth remembering, but now we have to fast-forward to today.

I know from my career of more than 22 years in government service that, for the FCO, recognition of a state is not an exact science. There are, however, some well known givens and some very specific requirements—and whatever one thinks of the Palestinian Authority, it does not have those qualifications for recognition. The objections to recognition are even more serious than the lack of those qualifications, because recognition would, above all, be detrimental to the peace process, and the end we all desire. As our ambassador to the UN said last month, we want to turn,

“our ambition—the creation of a sovereign ... and viable Palestinian State living in peace and security side by side with Israel—into reality”.

You will not get that by Palestine having at its shoulder terrorist allies.

I stand second to no one in wanting two prosperous and peaceful states, and I am absolutely prepared to accept the bona fides of President Abbas. But a declaration

of recognition now would appear to reward Hamas, which is a terrorist organisation still calling for the destruction of Israel and raining thousands of rockets on her civilian population from the south, while its ally Hezbollah, another terrorist organisation, threatens the same from Israel's northern border, also calling as recently as a few days ago for the extermination of the Zionist entity. With respect, it is nonsense to think we can create a state just by declaring it to be so. Just because we all want two states, we cannot just conjure one into being. It takes much hard work and negotiation by all those directly concerned.

On an official visit to the region in December 1993 with the late John Smith, then leader of Her Majesty's Opposition—I was his foreign policy adviser—we found that in that post-Oslo euphoria, detailed planning was under way for the economy and development of the Palestinian state, with Israeli and Arab businessmen, planners and entrepreneurs all busily and enthusiastically making ambitious plans for linking Gaza to the West Bank, and much else I do not have time to go into. Given good will and the considerable talents of both peoples, great things could have been achieved then—and they could be again. But recognition as proposed now is gesture politics of the worst kind. Instead of helping the peace process, it would hinder and damage it. Both sides need to be negotiating in good faith; one side cannot have by its side terrorists vowing to exterminate the other side.

6.24 pm

**Lord Dykes (LD):** My Lords, I thank the noble Lord, Lord Steel of Aikwood, for initiating this debate. I admire the great courage of the MPs on 13 October last in reaching, with a very substantial majority, a decision to recognise a Palestinian state. It is time to make progress on this long-standing dispute, which has become agonising for more and more people.

A long time ago, when I was an MP in Harrow, I was brought in as a peacemaker to deal with two main feuding groups on the local council. I hope noble Lords will forgive me if I sound boastful because, to my surprise, we succeeded in that aim. I said at the meeting that there were two vital conditions which had to be met: first, it must last only an hour and a half maximum; and, secondly, no one on either side was allowed to refer to the past. Someone asked, “What is the past?”, and I replied, “Two minutes ago; that is the past”. That is what you have to do when you are making peace with these two factions—one a government and a state, and the other a partial state, which hopes soon to be a state, and its ruling group in the Palestinian Authority.

Before we hear the winding-up speeches, three of my distinguished friends who, like me, are enthusiasts for Israel—the noble Lords, Lord Gold and Lord Turnberg, and the noble Baroness, Lady Deech—will speak. I want them to help me. Since I became involved in politics, I have been a lifelong friend of Israel. I went there in 1970 and helped many Soviet Jews come to Israel from Russia. Some of them went to the United States instead, but most went to Israel. I helped them with Aliyah and all that. I have been a tremendous friend of Israel over many years. However,

[LORD DYKES]

I do not like going there anymore. I do not enjoy it, although I used to. When I first went there in the 1970s and 1980s, it was a terrific, pleasant and agreeable country, but it is a country based on unfair politics towards the Palestinians. The Palestinians have so little, the Israelis have so much. There must be geopolitical generosity and realism in these matters.

The other regard in which the Israelis are privileged, and why the balance between the two peoples is unfair, concerns the behaviour of the United States. The United States did not say, “We regard you both as equal entities in this dispute and we want to help you resolve it”. It said, “No, we are automatic preferential friends of the State of Israel and that is our priority, and always will be”. There has been the grotesque invitation to Netanyahu to stir up trouble with Iran. Of all things, we least need that of stirring up trouble with Iran and making provocative noises about it in the US Congress just because the Iranian question is enmeshed in the long-standing dispute between the Democratic and Republican parties. The United States Government did not need to do that and Barack Obama has disappointed us all by resuming the vetoes which allowed Israel to misbehave repeatedly and disobey international law completely. That shows the lack of balance between the two sides. We did not expect that all the way through. I think that there have been 36 vetoes since 1968, most of them under Chapter 7.

Israel completely ignores the UN Security Council resolutions. The recent very moderate Jordanian resolution could easily have been accepted by the United States. Britain abstained as well. What kind of lead is that? The EU quartet has behaved grotesquely and let everybody down. I agree that Israel needed protection at the beginning when it was starting out as a state and after 1967 as well. But once defences were rightly built up to protect Israel, which you have to do realistically, and Israel became an unbeatable military power, the precondition the other way is that Israel then negotiates sensibly with the Palestinians to give them a place in the sun as well, and a state alongside Israel, not this nonsense of waiting yet again. Almost 50 years have passed now.

When Saddam Hussein invaded Kuwait, he was rightly expelled after a year by the international community. Everybody approved of that. Israel's invasion of the West Bank took place in 1967. “Invasion” was the right word used by the general who was mentioned by a previous speaker. Israel is still there now after nearly 50 years. This is a grotesque injustice. Most of my Israeli friends know that it is wrong and a lot of them are campaigning against it. We welcome what is done through B'Tselem, JJP and American Jews for a Just Peace, and now a new group has been formed. The AIPAC grip must be lessened in the United States as it is disastrous for the Congress. We should beware of the inexorable rise of the military-industrial complex, as has happened in Israel as well.

We want to make Israel again a pleasant and fair country to visit. I hope that my three colleagues who will speak before the winding-up speeches will help me by making some constructive suggestions, thinking about the future and not harping again and again on the past.

6.30 pm

**Baroness Uddin (Non-Afl):** I begin by expressing my thanks to the noble Lord, Lord Steel. I support wholly the noble Lord's Motion. Indeed, his record and commitment to pursuing a just solution to the Israeli-Palestinian crisis is widely respected. In fact, following the Israeli attack on Gaza last summer, the noble Lord made the much welcomed point that our Government are vulnerable to the well oiled and efficient Israeli public relations machine, saying:

“It's a tragedy that our response to the crisis has been framed by the discourse of rocket firing from Gaza ... whilst almost ignoring the cruel devastation of the constant cycle of incursions”.

There have been more than two dozen Israeli deaths over the past decade. As a mother and someone who has experienced war, I believe that any one death is tragic and causes untold sadness. Unacceptably dreadful though this figure is, it has neither moral nor political equivalence with the 1,600 civilians killed by the might of the Israeli military in Gaza last summer and the 1,400 killed in 2009. There have been three incursions in six years, killing thousands of innocent men and women and recently killing more than 500 children. They have injured 3,000, and destroyed homes, hospitals, schools, factories and utilities. Only this morning, the *Telegraph* noted that 370,000 children have been left shell-shocked.

It should plague the consciences of all right-thinking individuals when they acknowledge the little that has been done to prevent the almost medieval—and internationally recognised as illegal—land, sea and air blockade that has been imposed on the Gaza citizens since 2007, rendering them inmates in what our Prime Minister, David Cameron, referred to as an “open prison”.

Recently, a former senior Minister aptly suggested that we have been guilty of looking at the peace process implicitly through the wrong end of the Israeli telescope. It is shocking that we have had silence from our Government, who have been unable to condemn the barbaric, indiscriminate killings of innocent civilians. I agree with the noble Baroness, Lady Warsi, that our Government's current position remains morally indefensible, against Britain's national interest and not consistent with the rule of international law.

Many of us have spoken out in this House over the past decade on behalf of those millions dispossessed and displaced from their homes and lands, while Britain looked the other way. The ugly truth is that not just this Government but successive Governments have failed to stand with justice and have done nothing to hear the call for an arms and trade boycott of Israel. I remind the House that the former Minister for International Development, Sir Alan Duncan, uttered his rebuke to Israel last October about the building of illegal settlements, making clear that he regarded these actions as “theft”, “annexation” and, by international standards and laws, an illegal “land grab”.

These standpoints have marked a clear shift in both parliamentary and public opinion. I believe that many noble Lords, including the noble Baronesses, Lady Blackstone and Lady Morris, eloquently reflected this.

A growing consensus had seen the folly, as Sir Alan Duncan put it, of sticking rigidly to the “false dawn” of a process in which:

“Year after year, in cycles of hope and despair, we dwell incessantly on what we all call the Peace Process”.

This failed process has been the excuse consistently used to render the two-state solution increasingly untenable and to deny Palestinians their right to a viable independent state.

We cannot demand that communities and countries display the loyalties of one being either with us or against us in another context and profess our friendship to both the occupier and to those who are brutally oppressed and occupied. The vote taken at the end of last year in the other place on the recognition of Palestine saw an unprecedented 262-vote majority in favour. Our historic leadership in the current Israel-Palestine crisis places an obligation on us to take a lead in resisting the obvious attempts by Israel to destroy any chance of a two-state solution. While we remain stuck in the rhetoric of the so-called road map to peace, Israel continues its annexation of what has been mandated by the UN as the future lands of the sovereign state of Palestine.

Must we unwittingly become participants in the vision of Ariel Sharon’s senior adviser, Dov Weisglass? He boasted back in 2004 that,

“when you freeze that process, you prevent the establishment of a Palestinian state ... Effectively, this whole package called the Palestinian state, with all that it entails, has been removed indefinitely from our agenda. And all this with authority and permission”.

We must cease to give that authority and we must cease to give our permission. Let not the chronicle of history show Britain’s role in denying a whole race of people their birthright.

Let us recognise the historic initiative of the unity Government formed last summer in Palestine, which finally brought together the divided factions of Hamas and Fatah. Now is the time to take the initiative to put an end to decades of human suffering and apartheid. Let us not find that, through our inaction, we have contributed to a process of ethnic cleansing, continued deprivation and inhumanity in the Middle East. It is already an almost impossible prospect to consider the relocation of the 550,000 illegal Israeli settlers who now occupy Palestinian land. What shall we do when this number becomes 1 million? It is time for us to stop dragging our feet and to stand on the right and just side of history.

6.35 pm

**Lord Gold (Con):** I congratulate the noble Lord, Lord Steel, not only on securing this debate but on finding a neat way of dealing with the difficult issue of how you negotiate with a terrorist organisation. One thing is sure: if we recognise Palestine as a state now, there will not be any need to negotiate with the terrorists because they will not negotiate with Israel or any other country seeking to broker a settlement. Negotiation inevitably means compromise. Why should the terrorists compromise? They will have achieved their main goal, without giving away anything. They will have statehood without conditions and without compromise, and, most of all, without having to recognise that the State of Israel exists and is entitled so to do. All they need to

do is sit back, set off a few more rockets and wait until the UN resolves to give them even more.

Acknowledging that Israel exists and is entitled to exist has been the major stumbling block previously when the Palestinians have been offered a peaceful way to achieve their own state. They were offered and rejected statehood three times. The first occasion was, as the noble Baroness, Lady Ramsay, said, in November 1947, when by Resolution 181 the UN called for the creation of both a Jewish and a Palestinian state. The second was in the summer of 2000, when Yasser Arafat rejected the Barak peace plan. That plan offered the Palestinians all of Gaza, most of the West Bank and no Israeli control over the border with Jordan or the adjacent Jordan Valley. There was a small Israeli annexation around three settlement blocs, but this was balanced by an equivalent area of Israeli territory that would have been ceded to the Palestinians. In 2008, Prime Minister Olmert extended the Barak proposal by offering to split Jerusalem. President Abbas rejected this, too.

In its 1988 charter, Hamas, which controls Gaza, called for the eventual creation of an Islamic state in Palestine in place of Israel and the Palestinian territories, and the obliteration or dissolution of Israel. That demand has never changed. On that issue, Hamas has been and remains uncompromising.

All here want peace between Palestinians and Israelis. Most would support the two-state solution, but this is not the way to achieve it. Just as we are debating here, in this mother of Parliaments, the proposition—

**Lord Dykes:** My noble friend has got up to 1988. Could he not think about the future, as I asked earlier?

**Lord Gold:** I am coming to the future right now. As we are debating here, in the mother of Parliaments, the proposition that we should unilaterally recognise Palestine as a state, I challenge those supporting this resolution to persuade their friends to reconvene the Palestinian Parliament—the future is in the Palestinian Legislative Council, which has not met since the Fatah-Hamas dispute in 2007—and table a similar resolution, that the Palestinians should recognise the State of Israel and its right permanently to exist. However, this is *Alice in Wonderland*. We all know that such a proposition is fanciful, and that it could never happen. I apologise for my unparliamentary language, but let us get real and acknowledge that, far from making progress, recognising a Palestinian state now would set the peace process back indefinitely.

Like the noble Lord, Lord Dykes, I want to look forward. In this House and in the other place there are many friends both of Israel and of the Palestinians. If we use those friendships and that influence to persuade both sides to resume negotiations, we will be giving peace a far greater chance than through one-sided, unhelpful resolutions that will have the opposite effect, of setting the process backwards.

6.40 pm

**Lord Turnberg (Lab):** My Lords, at this late stage in the debate it is pretty clear that there are very few in this House who do not wish to see a solution that includes safe and secure Palestinian and Israeli states,

[LORD TURNBERG]

least of all me. I know I would be far from alone among the vast majority of Israelis and Palestinians themselves—certainly the ones I meet, on both sides, when I visit the region.

Leaving aside the unfortunate exception to this overall wish for peace which lies in Gaza—where Hamas constantly repeats its desire to see Israel wiped off the map—why do I believe that, despite this strong desire to see a Palestinian state, this bid to the UN is so counterproductive? Even the Arab League and Jordan are now urging caution on the Palestinian Authority. I have several reasons. First, the so-called unity Government contains Hamas representatives, who have made it clear that not only do they have no intention of recognising Israel's existence but they have great difficulty in accepting that the PA should have any sort of contact or co-operation with Israel. It is difficult to see how their ideas of Palestine would include a place for Israel. There is then the issue that, if Palestine gained international recognition, it would still have to negotiate with Israel. That very recognition would make them feel that they do not need to make any concessions. That makes a nonsense of a two-way negotiation.

A bid to the UN now would not achieve what everyone wants: two secure states living in peace with each other. Only direct negotiations can achieve that. This is not for want of trying. It is not difficult to understand why Israelis and Palestinians—indeed, everyone else who cares about the Middle East—are losing faith and patience. As the noble Lord, Lord Dykes said, it is not much use looking back at the failures of the many efforts to resolve the differences or at the near successes that were thwarted when, for example, Yitzhak Rabin was assassinated, when Mr Olmert fell from grace or when Mr Arafat had cold feet after Camp David. Nor does it help to try to assign blame when we want to move forward.

If, in seeking judgment at the International Criminal Court, Mr Abbas wishes to seek retribution or revenge, that is a very risky ploy that is likely to give rise not only to accusation but to counteraccusation of crimes against humanity. That is hardly likely to help to build any bridge on which peace negotiations can take place.

I fear that a bid to the UN will serve only to drive a bigger wedge between Israel and the Palestinians. For all his faults—I am far from the greatest admirer of his policies—Mr Netanyahu has repeatedly said that he wants to see a two-state solution, pace the noble Baroness, Lady Blackstone. Mr Abbas also talks about two states, but I fear he may be talking about two Arab states, with an Arab Israel. It is worrying that he is so adamant that he will not recognise that Israel is a Jewish state. Israel, which already has a significant 20% Arab population, would in his view become a homeland for Arabs to which Jews could hardly expect to be welcome. That is hardly conducive to meaningful dialogue and negotiation.

Our efforts, in the UK and in the UN, should be not to drive a wedge between the parties but to drive them together to the negotiating table, lock them in a room and persuade them both to make concessions that

everyone knows will be necessary. That is what both populations are desperate for their leaders to do before it is too late.

Of course, it may have to wait until we have stronger leadership on both sides. Anyone who has followed the history of previous efforts to get agreement has seen optimism followed by despair. However, strange things can happen in the Middle East, and we should never give up. If the right circumstances—or, more importantly, the right leaders—are in place, anything can happen. I cannot believe that a unilateral bid to the UN can do anything but interfere with efforts to restart the negotiations which, sooner or later, will be essential if we are to see Palestinian statehood.

6.45 pm

**Baroness Deech (CB):** My Lords, with unfortunate timing, this debate is taking place two days after International Holocaust Remembrance Day. In the 70 years since the liberation of Auschwitz, despite the millions spent on Holocaust education and remembrance, the museums and memorials and the school visits to concentration camps, there is a gap in memory and education that needs to be bridged. The desire and opportunity to murder 6 million people of a different religion whose presence on his territory the murderer resents must not arise again. The message Jews took from the Holocaust was that their nationalism was necessary. It has been a success. Israel is not Saudi Arabia; it is not North Korea, Iran or Pakistan. It is a flourishing and democratic outpost in the desert with an astonishing record. It is a safe haven, an imperative for existence that can be applied to no other country in the world.

Yasser Arafat declared an independent state of Palestine in 1988 and recognition followed from 100 states. The subsequent failure to change anything on the ground demonstrates the truth of the international law on recognition: namely, that statehood has to be founded in fact, not in numbers of recognitions.

As far as this Motion goes, almost every word of it is dubious. There can be no contribution towards a two-state solution because recognition of Palestine, falsely based, will only make the situation more dangerous. There can be no two-state solution unless Palestine recognises Israel, which she has steadfastly refused to do. There is no statehood attaching to Palestine in international law because it does not meet the criteria. A sovereign state of a Muslim Palestine has never existed—not before 1948, and not before 1967. It was Egyptian and Jordanian territory. Ehud Olmert's offer of a state was rejected in 2009. The intention of many of the players in the region has always been the elimination of a Jewish presence in the area, not the establishment of yet one more Muslim state. The problem with Israel is not that it has displaced anyone; according to its neighbours, the problem is that its population is largely Jewish.

The practical result of a premature state of Palestine would simply be to free up the import of arms into the new state. The aim underlying this move is the takeover of Israel. Why is there no preparation by the Palestinians for statehood? There is no governance structure, no independent administration, no industrialisation and

no negotiation of trade agreements with its neighbour, Israel. The state would not be a state in any recognisable form. Its leaders have declared that the current residents, whose status as refugees defies all logic, would remain defined as refugees. They would not be granted citizenship, nor would the state of Palestine open its doors to the Palestinian diaspora—those Palestinians whose miserable lives in Syria, Egypt, Lebanon and elsewhere in the region are worse than the lives of those in Gaza and the West Bank. It has also declared that it would be a Judenrein state, unlike the 1.8 million Arab residents of Israel who have chosen to stay there.

So if a state has no citizens, and will not grant them citizenship in defiance of international law, what would it be for? It would be for a closer jumping-off point for the demolition of the State of Israel in pursuance of the alleged right of return. As other noble Lords have said, Fatah and Hamas want a one-state solution. Why should Israel recognise Palestine if there is no reciprocity but only a step towards elimination in return?

In the climate of extremism that is sweeping Europe, why should a country want to take a step that risks feeding it more? The only purpose is manipulative—to allow Palestinians to pursue claims against Israel at the UN and other international bodies. In the face of what is happening in Europe, what agenda do the proponents serve? Would it not be a good idea to examine the excesses of this position and turn to state building on the ground as an alternative?

Israel's antagonists often accuse her of apartheid. In the worst times of genuine apartheid in South Africa, Mandela was planning his future independent country's constitution, educating its leaders, preaching peace, not vengeance, and acting as a statesman. In the early days of Zionism, before statehood, the Jewish residents of what was to be Israel prepared their governance structure, set up the organs of a state, created universities, made the desert bloom, prepared a legal system and a free press, trade unions, hospitals and charities. None of this is present in the Palestinian leadership; nothing is readied. It is not a state under international law, but I have no time to describe that.

The worst element, of course, is that the residents will not be citizens but will be regarded as refugees whose aim is to return to a different state—Israel—rather than establishing citizenship in their own state, and the new state would be wholly dependent on international funds. For it to be recognised now—by the General Assembly, for example—would simply send the message to every other non-state entity in the world, such as the Basque country, Northern Cyprus, the Kurds and even Scotland, to bypass normal laws and claim to be a state. Let there be a two-state solution by all means if the Palestinians will create a homeland, accept the refugees, lay down their arms and be a country of peace.

6.51 pm

**Baroness Morgan of Ely (Lab):** My Lords, I thank the noble Lord, Lord Steel, for introducing this important debate—a debate which has provoked some very strong and powerful presentations on both sides and in which I think both sides of the argument have been equally represented.

We have now had decades of turmoil in the Middle East and see continual brutal and bloody conflict. The events in the summer of 2014, with attacks on both Israel and Palestine, served to underline the need for a return to meaningful negotiations. It was a painful and stark reminder of how distant and difficult the prospect of a peaceful resolution to this conflict remains.

The two-state solution has been the UK's stated policy for decades, as my noble friend Lady Blackstone indicated. Labour fully supports two states living side by side in peace, with the need for this to be recognised by all their neighbours. However, this conflict will be resolved ultimately only by both sides engaging in a negotiated peace process moving towards that two-state solution.

The tragedy is that today there is not only no peace but no process, and in this environment despair dominates as hope struggles to survive. Labour believes that statehood for the Palestinians is not a gift to be given but a right to be recognised. That is why since 2011 Labour has supported Palestinian recognition at the United Nations and has called on the Government to support this important principle.

A key principle of establishing the State of Israel was that it should be a place where Jewish people could feel safe. I am sure that many Israelis—in particular, after the indiscriminate bombings on buses, murders in a synagogue and targeting of missiles on residential areas—would argue that they still do not feel safe. Of course the rise of anti-Semitism in western Europe should also concern us all. Israel has an absolute right to defend itself but many would argue that last summer's indiscriminate bombing and massive destruction of Gaza was wholly disproportionate.

This week, as a good Welsh socialist, I have been reading a new biography of Aneurin Bevan, who, in relation to the Suez crisis, stated that military success would,

“only prove that we are stronger than the Egyptians. It won't prove that we are right”.

I believe that the same could be said of some Israeli attitudes towards the Palestinians. What we really need to ask is how we can practically move the debate on in the region. Recognition will ultimately succeed only if it is a part of a significant peace negotiation covering mutual recognition, secure borders and general security.

If we really want traction in the area, we need to be aligned with our allies. We need to act where possible with our EU partners and work with the quartet. There are balances we must advocate. The Israelis must act in accordance with international law. They cannot colonise other people's land, deny them a contiguous economic territory, and build barriers on that land. The Palestinians on their part must take active steps, if necessary with regional neighbours, to stop terrorist attacks, and should unify in a political authority in a form which renounces terrorism. Palestinians must recognise the right of Israel to exist as a permanent entity within secure borders. We must be aware that either side can create or seize on any excuse for fighting or stopping talking.

[BARONESS MORGAN OF ELY]

We also need to engage in a more practical approach to building bridges between the two sides, providing aid and capacity building. We should promote economic co-operation in a very practical way, and we should do more with the near and more distant neighbours as a stimulus to security and economic development. The world has waited for the Oslo accords to deliver and has watched the dispute over territory for 66 years.

Particularly in the West Bank and Gaza, where 56% of the population is under 24 and where unemployment among the youth stands at 38%, how do we encourage those moderate voices in Palestine who are suffering from extreme poverty? How do we ensure that people who have had their homes and communities destroyed and can see no prospect of a lasting peaceful solution through diplomacy continue to follow a path of non-violence? How can we make them believe that there truly is a solution which can be worked out if there has been no prospect of a negotiated settlement for more than 20 years? Building a more vibrant economy must surely be part of the answer.

After decades of diplomatic failure, there are those on all sides who question whether a two-state solution is any longer possible. That is why Labour believes that, amid the undoubted despair and disappointment, the international community must take concrete steps to strengthen moderate Palestinian opinion. Of course we take note of the comments of the noble Lord, Lord Bew, who suggested that that would be extremely difficult to achieve, but it is the only hope. We must encourage all Palestinians to take the path of politics, reject the path of violence, and rekindle hopes that there is a credible route to a viable Palestinian state and a secure Israel which can be achieved through negotiations.

We are clear that Palestinian recognition at the UN would be such a step. Our support for the principle of UN recognition is not a means of bypassing the need for talks, nor an excuse for inaction in seeking to get negotiations restarted. The Motion before the House in October did not commit Labour to immediate recognition of Palestine or mandate the UK Government to immediately bilaterally recognise the state of Palestine, but the vote supported by Labour underlines the party's belief in the principle of recognising Palestinian statehood. The timing and mechanism by which Palestinian recognition takes place will continue to be a matter to be decided by an incoming Labour Government.

6.58 pm

**Lord Wallace of Saltaire (LD):** My Lords, it has been a passionate debate and I am conscious that the time is late, so I shall do my best to sum up the many contributions. We have heard here, as in the earlier Commons debate, some passionate concerns from all sides and the rising concern that the situation is getting worse and not better. I wish I could agree with the noble Lord, Lord Mendelsohn, that we have to be optimists. We struggle very hard to be optimistic in the circumstances we are facing.

Sir Richard Ottaway, in his very powerful speech in the Commons debate, said that,

“to be a friend of Israel is not to be an enemy of Palestine”.—[*Official Report*, Commons, 13/10/14; col. 69.]

The reverse is also true: to be a friend of Palestine you do not have to be an enemy of Israel.

The problem we face is partly, as some of us who have been in discussion with our friends in the Israeli embassy know, that the current Government are losing friends. They are losing the battle of public opinion in Britain and across Europe. If the use of disproportionate force on Gaza, or perhaps on Lebanon, is the only way in which Israel maintains its security, its long-term security is bleak.

That is not to say that the Government of Palestine, let alone Hamas, are gaining unconditional friends or supporters. We thus face a range of difficult and often unpalatable choices. We have heard a lot about the long, sad and contested history leading to bitter grievances on both sides, but the future is equally worrying. The status quo is not sustainable, either within the Occupied Palestinian Territories—let alone within Gaza—or in the region around Israel and Palestine. The Middle East is increasingly unstable. We see conflict within Syria overlapping into Lebanon and Iraq, a different but linked conflict in the Sinai and the collapse of Libya. That makes the need for change and movement towards a solution all the more necessary.

We have seen, in recent days, the threat of firing between Israel and Hezbollah potentially leading to a higher level of conflict. We hope that that has now been contained. We see the Egyptian Government dealing with terrorism in the Sinai, which affects their whole attitude towards Gaza. We see Palestinian refugees who were in Syria becoming refugees for a second time in Jordan or Lebanon and we see the increasing strain on Jordan and Lebanon—as well, incidentally, as on Turkey, where there are now 1.5 million Syrian refugees from the conflict spilling over the boundaries that we, the British and the French, left behind in drawing the map after the First World War.

We also see partisan exploitation of this issue within the United States, raising the existential threat to Israel that America's unquestioning support might begin to come into question, as some in the Israeli press have remarked in recent days. Behind all this, we also see population growth across the Middle East as one of the drivers of the conflict. We all know that a surplus of frustrated and underemployed young men drives radicalism. We have to accept that that is part of the problem all across the Middle East. In these circumstances, Britain remains firmly committed to the two-state solution: a sovereign, independent, democratic, contiguous and viable Palestinian state living in peace and security, side by side with Israel.

We see negotiations towards a two-state solution as the best way to end the occupation and to meet the national aspirations of both Israelis and Palestinians. That is why the British Government were such strong supporters of Secretary Kerry's efforts in the Middle East peace process, in which progress was made but not sufficient progress. We urge the parties to resume serious negotiations and to show the bold political leadership necessary to reach a final deal.

The Palestinian Authority, in contradistinction to what the noble Baroness, Lady Deech, said, has made important progress on state building, which has been recognised by the World Bank and the IMF. As my

right honourable friend the Secretary of State for International Development said in September, the British Government also believe that the Palestinian Authority has the capability to run an effective, inclusive, accountable state. That is why it is so important that the PA now returns to Gaza to ensure that good governance is extended throughout the territory that is intended to become the Palestinian state.

The UK is committed to recognising a Palestinian state and we are moving towards the recognition of a Palestinian state. That is part of how we see the process towards the only viable long-term solution, which is a two-state solution. We understand that it is only through negotiations that a Palestinian state can become a reality, including on the ground, but we see the process of recognition by the United Kingdom and other friendly states as part of that process. We do not judge that now is the right moment to give that recognition, but we are waiting for the point at which we consider, with others—our colleagues and allies—that it has become appropriate. I hope that is entirely clear. Of course, bilateral recognition in itself would not end the occupation—only negotiations will lead to a final settlement between the parties—but it may be an important part of the process.

The noble Lord, Lord Williams of Baglan, suggested that the United Nations should do more. The United Nations is, as he well knows, fully engaged. We were discussing a UN Security Council resolution that we thought could command an overwhelming majority of the UNSC members but, for various reasons, the Palestinians decided that they wished to have an earlier resolution, which did not meet the criteria, and that is why we abstained. We are of course concerned to get as much consensus as possible. We recognise that the Palestinian Authority will move towards accession to other UN agencies.

Of course, we should not forget the quartet. The quartet is often made fun of now within the United Kingdom but, importantly, it is the United States together with Russia, which unavoidably is an important player as it has very close links to Israel as well as closer links to Assad's regime in Syria than many of us would wish it to have. Britain works within the quartet together with our EU partners, in particular France and Germany.

We cannot exclude the Arab League. Little mention has been made in the debate so far of the Arab peace initiative, which is still on the table and which we still need to pick up to bring the moderate Arab states into any agreement that we can achieve.

Alongside all this work among Governments, the bilateral relationship between Britain and Israel remains strong and friendly, and we wish to maintain that. Of course, we wish to maintain a democratic Israel within secure and recognised boundaries. Indeed, this week a new multimillion-pound investment fund has been set up for Israeli scientists at the University of Cambridge, enabling Israelis to pursue post-doctorate research. I look around and I see others here who have been actively engaged, as I have been, in promoting exchanges between British academics, British young people and young Israelis, and that is something that we absolutely want to promote.

We all recognise that there are implications for communities within the United Kingdom. The spillover of the Israel-Palestine conflict into the domestic politics of other countries is one of the real dangers that we all face. The Government are absolutely clear that we wish to maintain the security of the Jewish community in this country. We value immensely the contribution that the Jewish community in this country has provided over many years and we wish to ensure that it remains secure and fully integrated into the United Kingdom community. We have recently provided £2 million to support Jewish state schools to ensure the security and safety of British children.

We also have a substantial Muslim community in this country. Some of them have been here for well over 150 years; others have come a great deal more recently. We also wish to maintain the security and stability and to promote the integration of the Muslim community in this country. I look round the Chamber and I know many of us are also working actively towards that. On Sunday my wife and I will be attending a service in Westminster Abbey—a Christian church—to commemorate the Holocaust, and there will be active Jewish participation in that Christian service.

It is also popular in the tabloid press to make fun of the Prince of Wales for talking about Britain's other faiths. I am proud, as someone who has a close association with Westminster Abbey, that I have been to a number of services there where several of Britain's faiths, in particular the three Abrahamic faiths, have played a part in the service. The most reverend Primate the Archbishop of Canterbury referred to Britain's three Abrahamic faiths in the speech he made the other week. I think it is very important that we dig out that phrase—less used than it was when I was a child—and ensure that we help to understand what is shared between Islam, Judaism and Christianity and not what is incompatible.

I pay tribute to my noble friend Lady Warsi for the work that she did as a Minister in promoting interfaith dialogue, and the work that my noble friends Lord Ahmad and Lady Anelay are still doing on it. My noble friend Lady Anelay told me yesterday about a recent visit that she made to Morocco, talking to the Moroccans about what they are doing to train imams from not only Morocco but other countries in their particular Sufi, moderate version of Islam.

There is a great deal to be done here, and we are concerned to keep separate how we resolve the Israel-Palestine problem from the importance of maintaining an integrated community on a multifaith basis within Britain.

The right reverend Prelate the Bishop of Southwark talked about the future of the ancient Christian community in Palestine and within Jerusalem. We are also much concerned about that. We note, in particular, the problem of the Cremisan and Catholic community at present, and the threat posed to that well established community by the extension of the border wall. We have the right to say to all sides that the maintenance of that ancient Christian community in Palestine and Israel must be assisted.

Jerusalem itself is a very important part of that. Jerusalem is a holy city for all three Abrahamic faiths. I say that with particular passion because, when I went

[LORD WALLACE OF SALTAIRE]

on behalf of Nick Clegg to talk to the Board of Deputies during the previous election campaign, when I said that, one of those present shouted: “No, it isn’t. It is the eternal capital of the Jews”. We have to learn to share. We have to share Jerusalem. The provocations which we see going on on both sides in Jerusalem are extremely worrying and could easily get out of control. There is the demolition of Palestinian houses and disturbances on the Temple Mount. We are much concerned about that. We are grateful that the Israeli Government have taken positive steps to calm the situation in recent weeks.

Several noble Lords have asked: “How can Israel negotiate with a Palestinian Government that includes Hamas? Palestinians have to accept Israel’s right to exist. Schoolbooks promote hate”—and so on. There are problems on both sides. There are those within the Israeli Government who deny the right of a state of Palestine to come into being, who want to have a single state. There is hate language in some elements of Israel, as well as in Palestine. There are problems on both sides. We must recognise that and deal with it. We must deal with it very carefully in the middle of a rumbustious Israeli election campaign. As the noble Baroness, Lady Ramsay, said, both sides must negotiate in good faith, and that needs people on both sides—including some of the more right-wing Israeli parties—to change their rhetoric and approach.

We all know that settlements, which some noble Lords did not mention, are a major part of the issue. The question of international law and Israel’s behaviour in the Occupied Palestinian Territories is something against which we constantly stub our toes. We cannot ignore Israel’s abuse of international law in the Occupied Palestinian Territories.

I have figures which suggest that in the nine months when John Kerry was engaged in negotiation, Israel increased by a factor of three the number of new tenders for settlement in the West Bank. We know that they are beginning to enclose Jerusalem. As my good friend William Hague said three years ago, when he was Foreign Secretary, we know that the expansion of settlements will in time make a two-state solution impossible. That is part of the ticking clock against which we have to move.

The previous British Government have introduced voluntary guidelines to enable produce from Israeli settlements in the Occupied Territories to be specifically labelled as such. The EU has agreed that all agreements between the State of Israel and the EU must unequivocally and explicitly indicate that they do not apply to the territories occupied by Israel in 1967. In December 2013, we placed advice online to UK businesses, underlining the key security and political risks which they may face when operating in Israeli settlements. Further discussions are now under way with retailers in Britain and within the context of the EU.

The noble Lord, Lord Leigh, argued that we were assisting Hamas and that funds were going to finance

Hamas. I assure him that no British funds are going to any of the organisations associated with Hamas, as we do our utmost to assist a stronger Palestinian state and the process of state building.

What can we do within Britain, where we have all protested against the deteriorating situation? First, as I have suggested, we have to build tolerance and understanding here. That is extremely important in a dangerous situation. Secondly, we have to work with other friendly states to bring influence to bear on all sides in the conflict. Thirdly, we have to continue to provide financial support to assist the construction of a viable Palestinian state; equally, we have to continue to impress on the Government of Israel that their long-term security depends on security within boundaries that provide a viable Palestinian state alongside Israel. At the appropriate time, we have to join with others in recognising a Palestinian state as part of the painful process of working towards the only viable resolution of this long-standing conflict: two states, sharing the historic land of Palestine in peace.

7.16 pm

**Lord Steel of Aikwood:** My Lords, I thank everybody who has taken part in this debate. It has been a very serious and sombre debate, and a very constructive one. I noticed two threads on both sides of the argument where we are in agreement. First, I think that everybody who has spoken spoke in favour of a two-state solution. That is quite important because so many commentators outside have rather given up on that. I thought that was a common thread in this debate, which was significant. Secondly, everybody agreed that we must reach the peaceful situation that we want to see through negotiation. That is not a quarrel between us and I quite agree that we have to get into negotiations.

The noble Baroness, Lady Blackstone, reminded us at the beginning that the recognition of the state of Israel came into being when it was not really in a fit state, so the same would be true of the state of Palestine. However, my mind goes back to the meetings in 1980, to which I referred. Although we did not meet with the Government of Israel, we met with the official opposition, which was then led by Shimon Peres, for whom I have always had a very good regard.

I will end by quoting something that was said by Abba Eban, who was Israel’s first representative at the UN and its Foreign Minister. He said this about the 1967 aftermath:

“The Jewish people fail to understand that there was something contractual in our entry into the world. We promised to share the territory. The present position (that is occupation of the Palestinian territories) is a deviation from our birth. I never knew of a country that could successfully throw its birth certificate away”.

I just hope that in the coming elections in Israel, we will find other statesmen of that calibre to replace the present promoters of government in that country.

*Motion agreed.*

*House adjourned at 7.19 pm.*

## Grand Committee

*Thursday, 29 January 2015.*

### National Employment Savings Trust (Amendment) Order 2015

*Motion to Consider*

2.01 pm

*Moved by Lord Bourne of Aberystwyth*

That the Grand Committee do consider the National Employment Savings Trust (Amendment) Order 2015.

*Relevant document: 17th Report from the Joint Committee on Statutory Instruments*

**Lord Bourne of Aberystwyth (Con):** My Lords, I am pleased to be introducing this instrument, which was laid before the House on 16 December 2014. Subject to the approval of this instrument, the Government also intend to lay before Parliament the Transfer Values (Disapplication) (Revocation) Regulations 2015, which follow the negative procedure. From 1 April 2017, these instruments together will remove the annual contribution limit and the transfer restrictions on the National Employment Savings Trust, commonly known as NEST. I am satisfied that the order is compatible with the European Convention on Human Rights.

As noble Lords know, NEST was established to support automatic enrolment, which ensures that all employers have access to a low-cost workplace pension scheme with which to meet their duties. NEST was specifically designed for, and targeted at, low to moderate earners and smaller employers that the pensions market failed to serve adequately. So far, only large and medium-sized employers—those with over 50 workers—have implemented automatic enrolment, and NEST already has in excess of 1.8 million members and more than 10,500 participating employers. As is acknowledged by us all, I think, this has been a tremendous success. However, we must not be complacent. Around 1.2 million small and micro employers will start to enrol automatically around 4 million workers from June 2015. It is this segment of the market where there is most likely to be a supply gap. This underlies the rationale for establishing NEST and is one of the reasons why NEST is afforded state aid approved by the European Commission. Between 45% and 70% of small and micro employers are expected to use NEST during the period June 2015 to February 2018. For automatic enrolment to be successfully implemented, NEST must focus on ensuring that supply gaps have been addressed for this large number of small and micro employers. As the Government set out in the Command Paper, evidence shows that the constraints are not preventing NEST delivering its public service obligation for its target market during the rollout of automatic enrolment, although there is a perception that this is the case.

The annual contribution limit is £4,600 for 2014-15 and is uprated annually in line with average earnings. The evidence showed that 70% of small and medium-sized

employers expect to contribute no more than the legal minimum contributions. Until October 2017 minimum contributions are 2% on a band of qualifying earnings—between £5,772 and £41,865 for 2014-15—and 84% of workers in the target group for automatic enrolment earn under £30,000. Based on contributions above the lower limit of qualifying earnings a low to median earner—that is, a worker earning between £15,000 and £26,000 per annum—would need contribution levels of between 48% and 22% to breach NEST’s annual contribution limit. A median earner on £26,000 whose employer makes a minimum total contribution level of 2% would contribute £405 per annum. This leaves a substantial amount of headroom for individuals to make voluntary contributions before breaching the annual contribution limit.

I turn now to transfers. The restrictions on transfers limit the circumstances in which transfers into and out of NEST can take place. But even where they can do so, individuals in other schemes rarely make transfers. More than 80% of workers fail to transfer pension funds when they change employer. This is why the Government intend to introduce automatic transfers to facilitate the consolidation of small pots. Further, the Occupational Pension Schemes (Preservation of Benefit) Regulations 1991 only allow what are commonly known as “bulk” transfers; that is, transfers without a member’s consent in certain limited circumstances. Evidence shows that only around 14,000 of small and medium-sized employers are currently providing trust-based, workplace pension schemes that could be transferred to another scheme. Of these, around 5,000 would consider a transfer to NEST—less than 1% of all firms.

I shall explain what the order actually does. Together with the Transfer Values (Disapplication) (Revocation) Regulations 2015, which as I said earlier are subject to the negative resolution procedure, the main changes this order makes from 1 April 2017 are as follows: removal of the annual contribution limit, allowing NEST members to contribute at the same levels as other schemes; provision of discretion for the trustee of NEST to allow individuals to initiate a transfer of their accrued pension rights into NEST; reinstatement of the right of a member of NEST to transfer their accrued pension rights out of NEST and into another pension scheme, replacing the limited circumstances in which a member of NEST can transfer their rights in and out of NEST at the moment; and, lastly, provision of discretion for the trustee of NEST to bulk transfer a member’s accrued rights into or out of NEST without the member’s consent in the same way as other occupational pension schemes.

I turn now to why we consider the date of 1 April 2017 to be the right time. Even though the evidence demonstrated that these two constraints were not in practice a barrier for NEST’s target market, there was, as I mentioned at the outset, a perception that these constraints might complicate scheme choice for small and micro employers. However, removing these two constraints as the result of a perception and the potential consequences flowing from this would not, in the Government’s view, be a proportionate response. Conversely, leaving the constraints in place beyond

[LORD BOURNE OF ABERYSTWYTH]

2017 would not be consistent with the Government's long-term policy objectives of encouraging increased saving and the consolidation of pension pots.

At the start of this Government's term, we commissioned an independent review of automatic enrolment and NEST, the *Making Automatic Enrolment Work* review. The review recommended the following: that NEST should go ahead as planned to support the successful implementation of automatic enrolment; removal of the contribution limit once staging of employers is complete and legislating for this at the earliest opportunity; and lastly, that by 2017 the general issue of pension transfers should have been addressed and NEST able to receive transfers in and pay transfers out. This order does what that independent review recommended, and therefore legislating now to remove these two constraints in 2017 is a balanced approach. It will ensure that NEST can focus on its mission of successfully supporting the introduction of automatic enrolment while reassuring employers and signalling now that NEST will be put on a similar footing to other providers in just over two years' time.

I know that noble Lords are interested in the implications for the state aid provided to NEST. This issue came up during our consideration of the Pension Schemes Bill. It has been suggested that the subsidy provided to NEST no longer qualifies as state aid because NEST now meets all four of the Altmark criteria. I believe that this point was made on Report on the Pension Schemes Bill. In its original decision, the Commission considered whether the Altmark criteria were met in its original decision in 2010 approving the state aid for NEST. In its decision, the Commission indicated that NEST did not meet all the criteria.

The second Altmark criterion requires that the undertaking receives no economic advantage which may favour the recipient over competing undertakings. The Government's view is that we would be unlikely to meet this criterion, and the Commission's decision said that there was an advantage because NEST would not exist without government support. In any event, we would need to make the case to the Commission that the Altmark conditions are met, as we have an existing state aid case and decision. This process is likely to take considerable time and would require persuasive evidence. The annual contribution limit and transfer restrictions were clearly cited by the European Commission in its approval of state aid afforded to NEST as important to reducing market distortion.

The department's call for evidence suggested that the constraints were working to focus NEST on its target market during the rollout of automatic enrolment. Following just over a year of negotiations, the Commission confirmed that removing these constraints from 1 April 2017 would be compatible with the state aid provided to NEST. The Commission also confirmed that the restrictions on individuals initiating transfers could be lifted earlier to align with the introduction of automatic transfers. Again, that is a point that we discussed at some length on Report on the Pension Schemes Bill.

If we wanted to lift these constraints sooner, we would need to refer back to the Commission because this would be outside the terms of the Commission's

decision. Without the Commission's agreement, there is a risk that the state aid provided to NEST would be unlawful. I commend this instrument to the Committee.

**Baroness Drake (Lab):** My Lords, while all progress towards allowing transfers into NEST and removing the contribution limit is to be welcomed—and it is—and even if some of us would prefer a greater speed of progress, I rise not to make a political point but to raise my concerns about inefficiencies that will remain in the private pension system because of the rules around transfer into NEST.

This statutory instrument will allow bulk transfers of members' assets only where the employer is a participating employer in NEST for the purpose of contributing to employees' contributions. This excludes bulk transfers where the employer is not a NEST participating employer; that is, it is discharging its new employer duties through another scheme. This restriction produces two inefficiencies. The first is that employers will increasingly have closed DC schemes. As companies merge or take over, they will close DC schemes, or they may set up less generous new DC schemes in the light of the coverage of the workforce that flows from auto-enrolment, or they may set up new trusts that set the rules giving the employer more powers. Whatever the reason, there will be some employers who will look to bulk transfer out a DB scheme that is closed to new members. I do not make these up as hypothetical examples; I have experience of all these issues, and I think that they are a growing phenomenon.

Employers may transfer out the assets in these closed schemes into a product proposition that is not covered by the charges and quality standards set for auto-enrolment schemes because, of course, they are no longer being used for auto-enrolment purposes. Such employers will be denied access to NEST, so what could have been an efficient, quality-controlled means of bulk transferring the assets of closed DC schemes is denied because of the way in which the transfer rules are set.

2.15 pm

The second inefficiency is that, increasingly, employers will default ex-employees out of their workplace schemes if they, the ex-employees, do not effect a voluntary transfer themselves within, say, six or 12 months of leaving the company. Again, that is not a hypothetical; I have practical experience and knowledge of those practices. These ex-employees may well be defaulted by their employer into a personal pension with weaker charge and quality standard controls.

"Pot follows member" will not of itself solve the totality of this problem. If there is a £10,000 limit, there will be a large population of people. It takes only 10% of contributions from the £25,000 pensionable pay over four years to reach that limit. It will not affect the workforce that has already left and been caught up in these situations. Small pots are being created all the time now, and even when the Government introduce pot follows member, it will be trialled with the largest providers, so there will be a tail of time. I also understand that it will not cover trust schemes. For a variety of reasons, pot follows member will not provide a complete

solution to the increasing incidence of employers saying, “When you leave my employ, you leave my scheme. If you do not arrange your own transfer, I will default you into a personal pension”.

I appreciate that this statutory instrument will stand, but I ask the Government to reflect on what is happening in the workplace and how the inefficiencies that I have identified could be more efficiently addressed if more employers were allowed to transfer ex-employees or assets in closed DC schemes into NEST. I do not think that that would fall foul of the argument that it gives economic advantage to NEST, but it would certainly give merit to the argument that it would give greater protection to a particular group of ex-employees or employees in closed schemes where it is an area of the private pension system where there are still quite significant inefficiencies.

I genuinely do not make a political point, because I know that the SI will stand, but I ask whether, between now and whenever the full freedoms come into place, more could be done to reflect on these inefficiencies.

**Lord German (LD):** My Lords, as always, the noble Baroness, Lady Drake, raises interesting issues in great detail which are always worthy of further examination. I hope that my noble friend will reflect on them. This is a bit of replay from the debate that we have had in the Chamber on the Pension Schemes Bill on an amendment that was simply about the date. It is the date issue that I want to say a few words about. The two arguments evinced to support an earlier date are that it will affect transfers in and that we do not have to worry too much about the European Commission and state aid rules. I am not a lawyer but I know my noble friend is a lawyer and I hope he will be able to rebut that argument.

However, the debate around the European Commission issue relates to the Altmark judgment, which my noble friend has just mentioned, and the second criterion, which is that NEST receives no economic advantage that may favour the recipient undertaking over competing undertakings. It is my understanding that NEST received quite a substantial degree of financial assistance from the Government. If it had not been for that financial assistance, NEST would not have existed. Therefore, the role played by that financial assistance is still important for the task set out, which is yet incomplete. My noble friend mentioned it: 1.2 million of what we call small and micro companies to be auto-enrolled by 2018 is a substantial task. That is one of the tasks for which NEST was set up. Many of the small companies that I have spoken to—this may be anecdotal—have in the past paid no consideration whatever to a pension scheme for their employees. This will be the first time that they are doing it. That is probably the case for nearly the whole lot. If so, the exceptions—the people already enrolled who may want to transfer in—will be an almost invisible statistic. If that is the case, surely the challenge facing NEST is to deal with that huge array of small companies that are going to need more help from NEST in order to undertake the work.

Noble Lords who have talked to NEST will know that their advisers go out and talk to companies, and it is more difficult to talk about these issues to companies with only three or four employees. They do not necessarily

have the time to slot it in, and it is much more difficult for smaller companies to work towards a solution. For most of these employers NEST will be the easiest, most competent, most reliable and most appropriate source for their pension scheme. Surely, therefore, that task is one of the tasks set in train by this application to the European Commission. If the reason for providing state aid was to give a financial inducement that would allow it to undertake that job, and that job is not complete and a huge number of companies are still to be engaged with, that, surely, is the challenge that NEST has.

In relation to the European issue and the year, perhaps my noble friend could indicate in his response whether, if it took more than a year to make an application—based on the information provided by the previous Labour Government on the date at which the restrictions on NEST would be lifted—will it be more difficult to do it in advance of that date? Would it be any easier than the more than a year that it has taken so far to get approval for 2017? If it is going to be the same period or longer, we are not talking about this year whatever happens. Even if the Government were to go back right now and start this process all over again, even if they thought that they had a strong case and that no economic advantage was being provided, it would still take until 2016—some way into 2016—and then until the appropriate start date for this. So, even if that were the case, we would probably be talking about, I guess, a gap of 10 or 11 months. It is my understanding, however, from the criteria that my noble friend read out in his opening remarks, that NEST has been given economic advantage, which is continuing, because they are doing the same job as the one described to the European Commission at the start.

In conclusion, it might be interesting to ask whether the timetable for this activity of NEST in the original submission to the European Commission is roughly the same as the current activity—in other words whether it was anticipated that this range of companies would be coming in towards this final period of the original application to the European Commission. If the timetable was right then, surely it is right now.

**Baroness Sherlock (Lab):** My Lords, I thank the Minister for his explanation of this order, and the noble Lord, Lord German, and my noble friend Lady Drake for their contributions.

As the Minister indicated, and the noble Lord, Lord German, reminded us, we had a fairly good canter around this issue on Tuesday, on Report stage of the Pension Schemes Bill. Therefore, noble Lords may be relieved to hear that I will not rehearse all the arguments at the level of detail we went into on that occasion. That said, we cannot allow this order to go through without challenging the core point we made then. I want to look at two things in particular. I would like to push the Minister a bit further as to whether he really believes that there is no problem caused for NEST by the restrictions on transfers remaining until 2017. He suggested that there would not be a problem; he will be unsurprised to know that we disagree. We are concerned that NEST would be unable to sign up employers if any of their employees already

[BARONESS SHERLOCK]

have pensions, given that most will not want to use two pension providers or more. Of course, if the company cannot bring everybody in the company into NEST—those already in the workplace pension scheme and those coming in under auto-enrolment—that is a huge deterrent to go in with NEST at all. The DWP's research suggested that 80% of employers will want one pension provider. Does this not mean inevitably that the ban on transfers in will hold NEST back? The argument against is that DWP research in 2013 that found that 84% of employers with fewer than 250 employees do not provide a workplace pension and would not be affected—a point indicated by the noble Lord, Lord German.

When this order was debated in another place my honourable friend Gregg McClymont pointed out that recording based on employers is not a good proxy for the number of employees who cannot access NEST on that basis. He made a powerful case that the number of employees potentially excluded from going into NEST because of the ban on transfers in is in fact closer to 11.5 million. Will the Minister not accept now that the ban on transfers in is a significant drag on NEST? Also, can the Minister clarify if lifting the ban on transfers will apply to pots accumulated before auto-enrolment or only to auto-enrolment pots?

We are delighted that the Government have continued Labour's policy of auto-enrolment. We want it to be as successful as possible and it is clear to us that lifting restrictions as rapidly as possible is the best way to achieve that. It would ensure that millions more employees could access NEST, a body we all regard as a success and which is leading the way in driving the cost of pensions down while driving up quality. Why can it not happen now? I am not going to open up a lengthy debate about the degree to which the Altmark criteria will apply. As the Minister will know, in a debate in another place my honourable friend Gregg McClymont said that in practice the Altmark judgment makes clear that once NEST is up and operational its target market no longer counts as state aid, in any case. He is welcome to come back to that but we will not resolve it today.

I want to know more clearly what efforts the Government have made to find out if they could have brought in these restrictions earlier. Whether or not they wish to do it now, they still need to account for their decision to go only in 2017 and not earlier. The Government blame the EU and pray in aid state aid rules and say they are waiting until 2017 because otherwise there would be a legal challenge. Surely the Government have not been told by the European Commission not to lift restrictions until 2017. Rather they asked not to lift them until 2017 and were told they could do so. This was a point I did not feel came out adequately on Report. There is a difference between being told you can do X and claiming that you have been told that you cannot do Y. The Minister indicated that it was the Government's own judgment that they would be unlikely to get permission for an earlier date. Can the Minister tell the Grand Committee whether the Government went to the European Commission and asked for the restrictions to be lifted before 2017, and if not, why not?

In terms of legal challenge, can the Minister clarify that if the Government amend the Pensions Schemes Bill that is still going before Parliament to lift the restrictions it would not be open to a UK court to challenge that? That is another argument that has been made against doing so. Surely any speculative attempt to mount such a case would be struck out. I would be interested in his reply.

Finally, can the Minister tell the Committee when he responds to the noble Baroness, Lady Drake, whether the Government have addressed these points in the past? She raised a very interesting point about the position of employers with closed schemes or, of course, ex-employees. Is that something the Government have addressed in their deliberations or reviews and what evidence do they have on that point? I will be interested to hear his response to the noble Baroness's questions, and the points made by the noble Lord, Lord German and me.

2.30 pm

**Lord German:** My Lords, it was remiss of me not to declare an interest in this matter in that my wife is a pension saver with NEST.

**Baroness Sherlock:** I am not sure it is relevant but, in case it is, I remind the Grand Committee of my interest as the senior independent director of the Financial Ombudsman Service.

**Lord Bourne of Aberystwyth:** I was just waiting in case the noble Baroness, Lady Drake, had anything to declare, but I am sure all her interests are in the register.

I thank noble Lords for participating in the debate on this order. I shall try to deal with the points made. I shall try to address them in the order in which they were made. I thank the noble Baroness, Lady Drake, who has massive, almost unparalleled experience in our House on pensions, and therefore I take seriously anything that she raises. She was a member of the Turner commission. I accept the point she made in a non-party-political way. We are keen to look at the two specifics that she raised—she referred to them as inefficiencies, but we reserve judgment on that, although they are certainly challenges—and I will get a detailed response to her on the question of the bulk transfer of closed DC schemes and the default of employees into personal schemes by employers.

As things go forward, the aim of all this legislation, which is shared across the House, is to get as many people as possible enrolled in pension schemes. As people live longer, pensions clearly become a more important part of the legislative landscape, and that is one reason for NEST. We want NEST to fulfil its core function. We are very much focused on that task, and that remains very much the name of the game, as it were.

I turn to the points made by my noble friend Lord German in relation to what was the key issue when we looked at this on Report on the Pension Schemes Bill: the 2107 date and the Altmark case. The noble Baroness,

Lady Sherlock, also raised points on this, and I will try not to cover it twice, so some of this will be in relation to her points.

My noble friend Lord German was right that the smaller the company, the greater the challenge in terms of auto-enrolment, so that remains our key focus. In relation to the date, it is true that because we were given permission for a particular date, that does not mean that we cannot seek another date, but it means that if we were to seek another date, we would have to go back to the Commission to get clearance. The noble Baroness, Lady Sherlock, rather than my noble friend Lord German, put forward the hypothesis that it could not be struck down by a UK court. I am not sure about that. I am not expert in EU law, and I will write to the noble Baroness if I am wrong on this, but I think EU law is very much a part of domestic law, so I think it would stand a chance of being referred, at least, to the European court by a domestic court. While we are a member of the European Union, we are obliged to follow its law. I will write if I am wrong on that point, but I appreciate it was not the core point that she was making.

I come back to a point that I made on Report, which is that we have two key concerns about an earlier date. One is that we want NEST to focus on its core mission, which it is fulfilling brilliantly. I accept that there is support for NEST from around the House, as there is in another place. I appreciate there is no difference between the three major parties on this issue. We are all very pleased with what NEST is doing, we applaud it and we want it to do more of it, but at the same time we do not want to distract it from that. That is why when we had a call for evidence, which was initiated by the Department for Work and Pensions in 2012-13, the subsequent Command Paper in June 2013 found that there was no compelling evidence that the key constraints were distracting NEST from its functions, but there was a perception that they were. Faced with that, we had to decide what to do. We thought that 2017 was the date to go for to ensure that NEST had fulfilled its core function and then to seek to list the constraints, believing, as was borne out by the finding of the Commission, that that constituted state aid.

There is no doubt that the Commission found that it did then and that we did not satisfy the Altmark conditions of not being state aid. We as a department remain of the view—as does BIS, it is not just DWP—that this still does constitute state aid. We could of course go back to the Commission to seek clarification on the issue, but again that would take a long time. As my noble friend Lord German has said, the initial process took more than a year and it could take as long again. Given the timings that we are up against, and given that we will publish a timetable on the transfer which would allow us some room for manoeuvre earlier than 2017—although I hasten to add that we have not as yet published a timetable on that—in our view, it simply distracts from the key focus of NEST, which is that of continuing to do what it has been doing absolutely brilliantly so far.

That, I hope, deals with the particular points, but if I have missed any details, I shall be happy to write to the noble Baroness.

**Baroness Sherlock:** I thank the Minister for his courtesy in giving way. I have just a small point to raise. I accept that the Government could go back and ask for an earlier date, but obviously they could have done that some time ago. I did ask specifically whether they ever did approach the Commission, and if not, why not? It is obviously because they did not want to, but did they ever do so?

**Lord Bourne of Aberystwyth:** I am not aware that we have gone back to the Commission about that. Clearly, I do not think that there is a difference between us for there to be a need to go back in some shape or form to the Commission for an earlier date. I do not believe that we have done that because, as I say, we believe that the key focus of NEST should be on auto-enrolment. So there are, as it were, two strands to the Government's position, and the first of those is that we should focus on the key function of NEST.

If I have missed anything in relation to the three helpful contributions from noble Lords, I will ensure that of course they receive full responses.

**Baroness Drake:** Perhaps I may take advantage of the noble Lord's kind reminder to declare my interests. I made a full confession at the start of the Pension Schemes Bill, but I realise that it does not travel over to the statutory instrument. I am a trustee of the Santander pension scheme and the Telefónica 02 pension scheme. I sit on the board of the Pensions Advisory Service and that of the Pension Quality Mark.

**Lord Bourne of Aberystwyth:** That underlines the great experience that the noble Baroness has in this area. I commend the order to the Committee.

*Motion agreed.*

### **Social Security (Penalty as Alternative to Prosecution) (Maximum Amount) Order 2015**

*Motion to Consider*

2.37 pm

*Moved by Lord Bourne of Aberystwyth*

That the Grand Committee do consider the Social Security (Penalty as Alternative to Prosecution) (Maximum Amount) Order 2015.

*Relevant document: 17th Report from the Joint Committee on Statutory Instruments*

**Lord Bourne of Aberystwyth (Con):** My Lords, I confirm that, in my view, the order is compatible with the European Convention on Human Rights.

Administrative penalties are financial penalties that may be offered to people in certain cases as an alternative to prosecution for benefit fraud or attempted benefit fraud. The conditions for when an administrative penalty may be offered and the amount of penalty to be paid are set out in Section 115A of the Social Security Administration Act 1992. Currently, the amount of

[LORD BOURNE OF ABERYSTWYTH]  
 administrative penalty that may be offered is £350 or 50% of a recoverable benefit overpayment, whichever is the greater, subject to a maximum penalty of £2,000. This order provides for a new maximum amount of administrative penalty of £5,000 which can be offered in cases where prosecution is deemed not to be appropriate in the first instance.

This means that in the future, depending on the size of the overpayment, an administrative penalty of up to £5,000 may be given. This is in addition to recovering the overpayment and applying a four-week loss of benefit penalty. For example, under the proposed order, where there is a benefit overpayment of £8,000 and there are grounds for instituting proceedings for a benefit-related offence, a penalty of £4,000 could be offered. If accepted, this would need to be repaid on top of the overpaid benefits. Currently, the maximum penalty restriction that could be applied in that example is £2,000. As noble Lords will see, the new maximum penalty of £5,000 can therefore be applied only to cases where the recoverable overpayment is £10,000 or more, so we are not talking about a £500 overpayment attracting a £5,000 penalty; that simply cannot happen. The increased maximum amount of administrative penalty could be applied only in cases where the act or omission that gives rise to grounds for instituting proceedings for the offence to which the penalty relates occurs on or after the coming into force of the order. In other words, it is prospective and not retrospective.

When the current maximum amount of administrative penalty of £2,000 was set in the Welfare Reform Act 2012, we knew that it was important to keep the amount under review. Since then, too many people still continue to ignore warnings and flout the rules to steal from the benefit system. The monetary level of benefit fraud, which is currently estimated to be around £1.2 billion, is unacceptable and unaffordable. In one year alone, there were more than 29,000 penalties for benefit fraud, including convictions. People must do the right thing and ensure that their benefit claims are correct. Clearly, a significant number of people are still not doing this and deliberately defrauding the benefit system. This is why we are taking action now by setting the maximum administrative penalty at £5,000. This will act as a better deterrent and highlight the significant financial consequences which can result from defrauding the benefit system.

I recognise that if the maximum penalty amount were set excessively high, there would be a risk that no one would be prepared to accept it or alternatively they might rather risk being prosecuted for their actions. I come back to the point that this is consensual in the sense that a person does not have to accept the administrative penalty. It is not our intention to prosecute people routinely for lower-level benefit fraud, which would result in them incurring a criminal record that may harm their future job prospects. That would be in nobody's interests. At the same time, we believe that it is right that where a person incurs a higher overpayment, where prosecution is not being considered in the first instance, the amount of the penalty given should also be higher. For these reasons, I consider £5,000 strikes the right balance.

The department's general policy is to offer administrative penalties as an alternative to prosecution in fraud cases deemed not to be so serious that prosecution should be considered in the first instance and where there are no aggravating features present. The driver for raising the maximum amount of administrative penalty is further to strengthen the range of measures we have to address and tackle benefit fraud. It also allows for greater flexibility, offering tougher but proportionate financial punishments where prosecution is not considered in the first instance.

Let me reassure noble Lords that we will continue to consider the individual circumstances of a case when deciding whether to offer a penalty or to refer a case for prosecution. In addition, administrative penalties carry their own safeguards. Where a person accepts the offer, they have a cooling-off period of 14 days in which they can change their minds. This ensures that they do not feel pressured into accepting the penalty.

If the offer of an administrative penalty is refused, the case would then be referred for prosecution. The department also has a well established debt recovery process for the recovery of administrative penalties, which can be recovered from benefit payments, deduction from earnings or through other means if appropriate. If evidence emerges that the penalty does not operate as intended, we will look closely at that.

The order aims to change claimants' behaviour and deter people from committing benefit fraud. It also ensures that the penalties available remain appropriate to address the serious and costly nature of benefit fraud. In conclusion, losing £1.2 billion a year through fraud shows that far too many fraudsters continue to steal from the benefit system. Such offensive behaviour has no place in today's society and should not be tolerated. The order before the Committee today and its purpose is straightforward. To avoid risk of an administrative penalty, claimants should just be truthful and accurate when making claims and tell the department promptly when their circumstances change. The £5,000 maximum limit for an administrative penalty reminds claimants of the need to do this, and where they do not it reflects the serious nature of benefit fraud. I seek noble Lords' support for the order today, and I commend it to the Committee.

2.45 pm

**Baroness Sherlock (Lab):** My Lords, I thank the Minister for his explanation of the order. The Opposition has no objection to the increase in penalties and therefore to this order. Benefit fraud, like any fraud, is a serious matter and certainly the scale necessary to trigger this increased penalty is one that requires action. However, I would like to take the opportunity to ask the Minister a few questions.

First, the Secondary Legislation Scrutiny Committee commented that since the current £2,000 maximum penalty has been in force for some time—almost two and a half years—it had expected to see a more evidence-based explanation for the increase. It asked the department to issue a revised Explanatory

Memorandum—which it did, and I am grateful for that—but as far as I can see its main argument seems to be that:

“the Government considers there are still too many people committing benefit fraud”.

That obviously is true: if one person is committing benefit fraud, too many people are committing benefit fraud. However, the realities of cause and effect are slightly more complicated. The deterrent effect of penalties will be affected by the likelihood of people understanding that they are committing an offence, their belief that they are likely to get caught and the severity of the penalty if they are caught. Can the Minister tell the Committee what evidence he considered when deciding what the right maximum would be in terms of the deterrent effect? The Explanatory Memorandum very candidly states:

“Whilst we cannot estimate the deterrent impact of the measure in terms of the number of frauds committed in the future, the measure still remains an important part of our overall package of measures”.

How do the Government know? If they have no idea what effect it will have, how do they know that it is an important part of their package of measures? It might be a wholly unimportant part. What was the evidence for that?

Secondly, has the department done any research to assess the level of awareness of the level of penalty in order to understand its deterrent effect? If the presumption is that it will be a deterrent but people do not know about it, it will not. What evidence do the Government have about that?

Thirdly, and in some ways most interestingly, what would success look like? Is the aim to pursue more people who have committed benefit fraud, and, if so, does the Minister expect to see investigations and/or prosecutions rise or fall after this introduction?

Although we support the increase in the maximum penalty, the Government need to do more to convince us that they have an effective strategy to counter fraud. When this order was being debated in another place, my honourable friend Helen Goodman expressed concern that the measure might have been put forward simply so that the Government could be seen to be doing something. Since it affects at most 250 people, it would seem to be only a limited contribution. The Government’s Explanatory Memorandum makes it clear that 250 cases a year is the maximum, so what are the Government doing to tackle the bigger problem? There clearly is a problem: in 2013-14 the department overspent by £3.3 billion on error and fraud, some 2.1% of benefits expenditure. This month, the Public Accounts Committee published a very critical report that highlighted the Government’s failures on tackling fraud and error, especially in housing benefit, where overpayments have risen very significantly, from £980 million to £1.4 billion. The same report also concluded that the department’s handling of housing benefit error and fraud did not deliver value for money.

The National Audit Office has also been critical of how the department is dealing with fraud and error. In October, its report said:

“The Department has a target to reduce total fraud and error overpayments to 1.7% of benefit expenditure by March 2015. In his report on the Department’s accounts for 2013-14, the Comptroller and Auditor General noted the Department was unlikely to achieve its 1.7% target”.

The report described the problem as “escalating”. Can the Minister tell the Committee whether the department expects to hit the 1.7% target by that date and what action it is taking to do so?

Finally, the Explanatory Memorandum indicates that DWP fraud investigations resulting in an administrative penalty fell by three-quarters between 2009-10 and 2013-14, from 7,249 to 1,501. Can the Minister explain why he believes that fall took place and on what evidence he bases his answer?

**Lord Bourne of Aberystwyth:** My Lords, I thank the noble Baroness, Lady Sherlock, for her contribution and I will do my best to cover her points.

It is common ground between us that if there is one person fraudulently claiming a benefit, that is one too many. I agree with that. By the same token, I think she would accept that if one increases the penalty for a particular crime, it acts as a greater deterrent. We must of course ensure that it is publicised, and the department will be seeking to do that. This is certainly upping the penalty, and as I understand their position, the Opposition accept that.

In relation to the progress made in tackling this, I should stress that I am referring to benefit fraud rather than benefit error, which means that if a case goes to court, fraud has to be proven. We are not talking about a slight mistake, but fraud, which in court would have to be proved beyond reasonable doubt. It is true to say that the level of fraud as set against benefit expenditure has come down only slightly from 2.2% under the previous Government to 2.1% under this one. I accept that it is certainly true that more work needs to be done.

The noble Baroness asked why we picked this particular figure. The reason is that overpayments between £4,000 and £10,000 in relation to fraud are the second largest single category of fraud overpayments—the most at the lower scale of fraud, as it were. That is why we have sought to focus resources on that particular group. Also, freeing the system up by allowing people to choose administrative penalties means that a matter does not go to court and is less work for the department, which means that we are able to focus resources on the most serious frauds. Numerically, they may be fewer but there are significant fraudsters at the top end of the scale where we feel resources should be focused.

The driver for raising the maximum amount is broadly to strengthen the range of measures that the department has to tackle benefit fraud. I am sure that it is not a silver bullet; we are not claiming that. But we feel that it should make better use of resources and act as a deterrent in relation to that particular group where there is a significant bubble of fraudsters for whatever reason, and it will enable us to focus resources on the most serious fraud cases. That is the scheme.

I will write to the noble Baroness in regard to the particular point of how we are aiming to get to 1.7%. Can she refresh my memory on the target date that we have given for that?

**Baroness Sherlock:** March.

**Lord Bourne of Aberystwyth:** March of this year. I accept that to get from 2.1% to 1.7% is a significant challenge. Perhaps I can write to the noble Baroness on the measures that the Government are taking. Clearly, this is one of them. The support of the Opposition both here in another place, which we are grateful for, shows that we have common cause in trying to ensure that benefit expenditure is focused on those people who really need it. Everyone who steals from the benefits system is effectively stealing from those who really need the benefit. We are committed to driving that figure further down, but I will write to her with the details, if I may.

**Baroness Sherlock:** I am grateful to the Minister for offering to write to me. As I have said, there is nothing between us on this order because we support it, but there are one or two other small questions that he has not been able to respond to. Could he pick those up and include them in the letter so that we do not detain the Committee today?

**Lord Bourne of Aberystwyth:** I am most grateful to the noble Baroness, Lady Sherlock, on that point and of course I will respond fully.

*Motion agreed.*

## Misuse of Drugs Act 1971 (Amendment) Order 2015

*Motion to Consider*

2.53 pm

*Moved by Baroness Williams of Trafford*

That the Grand Committee do consider the Misuse of Drugs Act 1971 (Amendment) Order 2015.

*Relevant document: 17th Report from the Joint Committee on Statutory Instruments*

**Baroness Williams of Trafford (Con):** My Lords, the draft order, which was laid before Parliament on 17 December 2014, supports the Government's ongoing efforts to disrupt the supply of new psychoactive substances where the evidence and expert advice from the Advisory Council on the Misuse of Drugs—the ACMD—indicate that they are dangerous drugs. This House recently approved an order updating the UK's drug controls to protect the public from the serious risks associated with a number of such substances, which came into force on 7 January.

Today's order will bring under class A control two substances: one being MT-45 and the other 4,4'-DMAR, which I will refer to under its street name, Serotoni, because it is easier to pronounce. I commend our expert adviser, the ACMD, for its ongoing and intensive work on monitoring the available evidence and advising the Government on actions to take against any number of new psychoactive substances that have the potential to cause serious harm, including legislative intervention necessary to protect the public.

The ACMD advises that MT-45 is a potent analgesic similar to morphine. It was developed by a Japanese pharmaceutical company in the 1970s and subsequently abandoned. It has similar health risks to already controlled opioids, including respiratory depression, coma and death. In some instances, loss of hearing was also reported. Although this compound has not been detected through the UK's early-warning mechanisms, it has been identified in other EU countries and linked to a number of fatalities in Sweden.

Serotoni is a synthetic stimulant drug which has been detected in a number of EU countries, including the UK, and linked to harms including agitation, convulsions and hyperthermia. In a number of cases, these symptoms were followed by death. In late 2013, there were reports of sudden deaths from substance abuse in Northern Ireland. It was not obvious that they were related due to incidences of polysubstance use and drug bingeing or to users simply not knowing what drug they took, but following the completion of 20 inquests into these fatalities in the summer of 2014 they were linked to Serotoni.

The Government further intend to make two statutory instruments to complement the order, as recommended by the ACMD. These instruments, subject to the negative resolution procedure, will designate and schedule MT-45 and Serotoni as drugs which have no known legitimate uses beyond the research sector in order that they will remain available for research purposes under Home Office licence. I also wish to bring to noble Lords' attention that these two substances are being considered for EU-wide control. Having received the ACMD's advice and considered the evidence on harm as required under our laws, we are in a position to ban these drugs to protect the British public at the earliest opportunity. I commend the order to the Committee.

**Baroness Smith of Basildon (Lab):** My Lords, I am grateful to the Minister for that explanation. We welcome the order. It is one of a series of orders we have considered on which we have discussed issues around so-called legal highs. I know that neither she nor I like that term but, unfortunately, it is the one used in the Explanatory Notes. It is in inverted commas, so perhaps that justifies it, and "new psychoactive substances" clearly does not roll off the tongue in the same way. However, such terms are one of the things that cause young people to misunderstand and think they are doing something funny and safe when that is the last thing they are doing. I also thank the Advisory Council on the Misuse of Drugs for its work. Its explanation of the dangers is very helpful. We are not the experts on this; we rely on the experts. The council's expertise leads us to only one conclusion: that these drugs should be banned.

Perhaps I may check one thing that the Minister said. She said that this drug has not been seen in the UK—I think that that is in the Explanatory Notes as well—but is available in Europe. In fact, it is available online, which means that it is quite likely that it could be in the UK. I come back to a point that I have made many times. Unless we tackle and get to grips with online sales—which means looking internationally but also at head shops and other suppliers of drugs—we are not going to be able to tackle this. The order

therefore has our full support. I simply add the rider that I am very worried about this increase: you just have to go online and Google some of these drugs and you can find out where to get them. We support the order.

**Baroness Williams of Trafford:** I thank the noble Baroness for her helpful comments. I fully agree with her points about glamorising these drugs by using the unhelpful term “legal high”, the online availability of some of these drugs and the head shops continuing to try to race ahead of where the legislation has got up to. I commend the order to the Committee.

*Motion agreed.*

### **Legal Services Act 2007 (The Law Society) (Modification of Functions) Order 2015**

*Motion to Consider*

3 pm

*Moved by Lord Faulks*

That the Grand Committee do consider the Legal Services Act 2007 (The Law Society) (Modification of Functions) Order 2015.

*Relevant document: 17th Report from the Joint Committee on Statutory Instruments*

**The Minister of State, Ministry of Justice (Lord Faulks) (Con):** My Lords, as noble Lords may know, and by way of background, the Law Society of England and Wales is an approved regulator under the 2007 Act. The Solicitors Regulation Authority, the SRA, is the independent regulatory arm of the Law Society, which regulates all forms of solicitors’ practices and alternative business structures—ABSs.

Recognised bodies and ABSs are subject to the same authorisation process by the SRA, which is a one-off authorisation followed by ongoing supervision. In contrast, because of the requirements of the Solicitors Act 1974, sole practitioner solicitors are required to have annual endorsement of their practising certificates. This difference results in regulatory inefficiencies and increased costs for both sole practitioner firms and the SRA. The current differences in regulation also make it more difficult for solicitors to move between one type of practice and another. There are also differences in the way in which the SRA can take regulatory action where difficulty arises with a sole practitioner firm as compared with other firms.

This order therefore removes the requirement in the Solicitors Act 1974 for a solicitor who is a sole practitioner to obtain an annual endorsement on their practising certificate. The order therefore establishes a single method of authorisation and regulation of all solicitors. The effect of the order is to remove the concept of a sole practitioner from both the Solicitors Act 1974 and the Administration of Justice Act 1985 and instead create the concept of a “recognised sole solicitor’s practice”.

Recognised sole solicitors’ practices will be subject to the same type of authorisation and ongoing supervision process as recognised bodies and alternative business structures. This order is therefore a welcome deregulatory measure. It comes before the Committee following a public consultation by the Legal Services Board. No objections were raised during this process. The order was welcomed by the Sole Practitioners Group, which advised that it welcomed efforts to reduce the current burden of regulation of sole practitioners and welcomed the harmonising effect of the order.

In conclusion, the Legal Services Board is satisfied that there will be no lessening of consumer protection as a result of this order which will make it easier for the SRA to regulate solicitors more effectively and proportionately. I commend the order to the Committee, and I beg to move.

**Lord Kennedy of Southwark (Lab):** My Lords, I do not intend to detain the Grand Committee for long on any of the orders before us today.

As the noble Lord, Lord Faulks, has explained, this order removes the requirement on a solicitor who is a sole practitioner to obtain an annual endorsement on their practising certificate and so establishes a single method of authorisation and regulation for all solicitors. That is welcome and we are very happy to support it from these Benches.

I notice from the impact assessment that there is a small financial saving to solicitors as a consequence of this change. It is not huge and would not be the dominant consideration in making these changes. However, I see the benefits of making the change in the methods of authorisation and regulation.

I note from the impact assessment that the proposal was originally consulted on between December 2010 and March 2011, but nothing was taken forward. Three years later a policy statement was issued, which again attracted support. Here we are at the end of January 2015 with the measure finally being brought into effect. Can the noble Lord shed some light on why four years have passed since this measure was first suggested and subsequently enacted? However, I am content to support the order.

**Lord Faulks:** I am grateful to the noble Lord for his observations. On his second point, these measures were, as he said, first proposed in 2010. Following a detailed consultation, the SRA stopped work on these proposals as it had to concentrate on various other priorities, including preparing to be designated as the licensing authority for alternative business structures which was, as he will appreciate, a fairly major piece of work. The SRA took up this work again last year in conjunction with my officials, and this order has been brought before the House at the earliest opportunity. The delay was because of other priorities rather than for any sinister reason. As to the noble Lord’s question on cost, this measure will remove some costs and bureaucracy. One hopes that that will be passed on in due course in some way to the client. I am grateful for those observations and I beg to move.

**Lord Kennedy of Southwark:** I would never think anything sinister at all. I had just noticed the four-year gap.

*Motion agreed.*

## Judicial Pensions Regulations 2015

*Motion to Consider*

3.05 pm

*Moved by Lord Faulks*

That the Grand Committee do consider the Judicial Pensions Regulations 2015.

*Relevant document: 17th Report from the Joint Committee on Statutory Instruments*

**The Minister of State, Ministry of Justice (Lord Faulks) (Con):** My Lords, the regulations before us today create the New Judicial Pension Scheme 2015—NJPS—establishing the pension scheme itself and also providing for its governance structure and the operation of its employer cost cap. The NJPS is a defined benefit scheme which provides a guaranteed pension based on average pay over a judge's career. Each year, a percentage of a judge's salary is notionally put aside. On retirement the cash value of all these annually calculated percentage pots is added up and that is the annual pension. To protect the accumulating pension against inflation, each individual's notional pension is uprated each year. Employee contributions remain the same and there is transitional protection for those closest to retirement. Unlike previous judicial pension schemes this scheme will not have an automatic lump sum and will be registered for tax purposes in line with the practice elsewhere in the public sector.

The Government announced at the time of the emergency Budget in 2010 the establishment of an independent review of the provision of public service pensions. The judiciary was included in the scope of this review. The review by the Independent Public Service Pensions Commission, led by the noble Lord, Lord Hutton of Furness, made recommendations for reform to public service pensions in order to make them both affordable and sustainable in the long term as well as offering certainty and fairness to public service pension scheme members and taxpayers. The Government's response adopted many of the review's recommendations. This included a guarantee that benefits accrued before the date of the change would be protected. It also introduced protections for those within 10 years of retirement.

On 5 February 2013, the Lord Chancellor announced to Parliament the intention to reform judicial pension arrangements in the form of the NJPS under the statutory framework of the Public Service Pensions Act 2013. The reforms to judicial pension arrangements will apply to eligible members of the judiciary in Scotland and Northern Ireland, as well as those in England and Wales. There are a number of devolved judicial offices in Scotland and Northern Ireland to which these reforms will not apply. The NJPS will be open to eligible fee-paid and salaried judicial office holders. This will be set out in a separate instrument.

The principles of the Public Service Pension Act 2013 have already been approved by this House; these regulations apply those principles, introducing a new pension scheme for the judiciary. The Government believe that the reforms to judicial pensions constitute a fair balance of costs and benefits between judicial pension scheme members and other taxpayers. I therefore commend these draft regulations to the Committee and I beg to move.

**Lord Kennedy of Southwark (Lab):** My Lords, as the noble Lord, Lord Faulks, has explained to the Grand Committee, the regulations before us today establish a new and reformed pension scheme for the judiciary. They are one of a number of instruments which are coming before your Lordships' House on the matter of pensions.

I should say that as a general rule I am always sorry to see the end of final salary pension schemes, but I accept that that has been the trend in recent years, and I fully understand that pension schemes have to be reformed in order to ensure that they are sustainable in the long term. That has involved a change in the distribution of costs between the employer and the members of the scheme, along with a move from final salary schemes to other types of scheme and equalising the normal pension age with the state pension age.

I have only a couple of brief points. On looking at the Explanatory Notes, I see that the Lord Chancellor, after consulting with the judiciary, announced the intention to establish a stand-alone reformed pension scheme open only to the judiciary, although initially he had talked about bringing it into the Civil Service scheme. Can the noble Lord tell us why in the end the other options were not proceeded with, in particular the decision not to include the judiciary within the scope of the reformed Civil Service pension scheme? Further, will there be any additional costs to the taxpayer as a consequence of that decision?

I would appreciate a little more information regarding the tax concerns which have been raised by a number of members of the judiciary here in terms of the sums of money involved and whether that will result in additional costs which will have to be borne by the scheme and/or the taxpayer. Also, looking at the scheme itself, can he tell us a little about the governance arrangements? Will they differ in any material way from the governance of the Civil Service scheme? It would also be helpful to the Grand Committee if the noble Lord could highlight where in particular the scheme differs from the new Civil Service pension scheme? With those points, I am content to support the regulations before the Committee.

**Lord Faulks:** My Lords, I am grateful to the noble Lord, Lord Kennedy, for his observations. He will know that the judiciary had some concerns about the scheme, one of which turned on the importance of the independence of the judiciary and of attracting appropriate candidates to posts within the judiciary at whatever level. I am sure that Members of the Committee will understand both of those points. A particular concern that was expressed by many in the consultations was about the changes that were to take place to

ensure that the judiciary came under the scheme which embraces all other senior civil servants. There was a particular provision which followed the judiciary's own stand-alone scheme that is set out paragraph 8.2 of the Explanatory Memorandum. It concerned in particular those whose existing arrangements for their pensions were unregistered so that when they came to accept a judicial appointment, they did so on the basis that their then pensions were unregistered, only to find that as a result of these provisions, the pension in their new post became registered. The result of that was a significant disadvantage to them, and therefore after some consideration, it was thought appropriate for there to be a special arrangement for the judges in that particular position.

The result of the special arrangement was that those who had previously had an unregistered pension could opt out of the government scheme and they would not receive the pension to which they would normally be entitled. However, during the time that they sit as judges, they will receive an increased salary to reflect the fact that their employer—the Government—would be paying a proportion of their income for pensions in the same way that they would in ordinary circumstances, and will be doing for judges in all other cases. This means that although there is an advantage to the individual, it is in fact neutral in terms of the effect on the tax take as a whole. That was the position.

Judges choose representatives to the pension board—I am talking now of governance—and make recommendations to the scheme manager on the question of discretion. The scheme was at the judiciary's request. There is an increase in costs in the administration of that special scheme. On the scheme generally, the Government's principle was to develop a scheme that is fair and sustainable for public sector workers and the taxpayer generally and, save for this fairly limited exception, the judicial scheme will bring the judiciary in line, for the first time, in fact, with the reformed Civil Service pension scheme Alpha, while there are some differences, which I have explained. There are also some slight differences in ill health provision, but any benefits to the department will be long term in nature due to the transitional protection provisions which apply to a considerable proportion of the judicial office holders in scope. However, there is a long-term financial benefit to the MoJ in the form of savings from the service award. This is a salary payment to judges upon retirement which compensates them for tax liabilities on their retirement lump sum. The cost to the department of the current annual service award is around £17 million per year. As the new scheme requirements will remove the need for service awards in the long term, this cost will be a saving to the department, and thus to the country in general. There is harmonisation. There are one or two exceptions.

We think judges have satisfactory pension arrangements. In the view of judges, they are not quite as satisfactory as they were before, but in view of the recommendations of the noble Lord, Lord Hutton, which were accepted by the Government, all public servants have had to accept some reductions in their entitlement in view of the overall financial situation, and judges are not considered an exception, but there

is some reflection of their particular circumstances in those special arrangements. I hope that that is a satisfactory answer to the noble Lord's questions.

*Motion agreed.*

## **Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Fines on Summary Conviction) Regulations 2015**

*Motion to Consider*

3.17 pm

*Moved by Lord Faulks*

That the Grand Committee do consider the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Fines on Summary Conviction) Regulations 2015.

*Relevant document: 17th Report from the Joint Committee on Statutory Instruments*

**The Minister of State, Ministry of Justice (Lord Faulks) (Con):** My Lords, the regulations before us today are needed to accompany the commencement of Section 85 of the Legal Aid, Sentencing and Punishment of Offenders Act 2012, or LASPO as it is commonly called. Section 85 has not yet been commenced. It provides for all fines and maximum fines in the magistrates' courts of £5,000 or more to become unlimited. This includes the level 5 maximum on the standard scale of fines and all exceptional summary maxima for environmental and health and safety offences, which can be as high as £50,000. It means that magistrates will be able to impose, if they so choose, a higher fine than they previously could.

I should make it clear that the way in which magistrates calculate the appropriate fine to be imposed in each individual case will not change. Sentencing decisions in individual cases are a matter solely for our independent courts. Parliament sets the maximum penalty for an offence and the courts sentence within that maximum, taking account of all the circumstances of each case. Where the sentence is a fine, the courts are required to take account not only of seriousness, but the known financial means of the offender. How the amount of a fine relates to these factors is covered in some detail by the sentencing guidelines issued by the Sentencing Council, which is also independent of government. None of these things will change.

I should also make it clear that dangerous criminals will always belong in prison, and there are others who will need to be made subject to community penalties. However, it is important that magistrates, who sentence the majority of offenders who come through our courts, have the power to hand down the appropriate fine with the severity they see fit for the most serious cases that come before them. They include summary crimes such as making and selling realistic fake guns, assaulting a police officer, using threatening behaviour and not making a property safe before renting it out.

[LORD FAULKS]

Other offences that will be liable to unlimited fines in the magistrates' courts will be harassment without violence, the sale of alcohol to children, and the unauthorised sale of football tickets, an offence introduced to help prevent violence at matches. The Government believe that it is important that magistrates should not be limited in the amount they can fine for serious offences such as these. Where appropriate, the courts will of course continue to be able to impose custodial sentences.

These regulations do not amend the text of every piece of legislation that provides for an offence to be subject to a maximum fine expressed variously as level 5, "the statutory maximum" or "the prescribed sum", all of which mean £5,000. When Section 85 comes into force all these offences will automatically become fines of an unlimited amount. However, these regulations were needed to amend the text of legislation governing fines expressed as numerical amounts of £5,000 or more. The noble Lord, Lord Kennedy, may have seen the considerable extent of the draft statutory instrument carrying myriad different offences. There was a considerable amount of work for parliamentary counsel to try to tie up these issues.

As well as removing the £5,000 cap, Section 85 allows the Secretary of State to specify any exceptions in regulations. These exceptions are included in the draft regulations that we are debating today. But not only do they exempt certain offences from the general provision removing the £5,000 cap, they need to make additional provision if Section 85 is to work properly in practice. For example, some penalties are currently expressed as a proportion of £5,000. If we commenced Section 85 without amending such provisions, they would become meaningless as we cannot have legislation specifying a proportion of an unlimited amount, so we need to make changes there too.

These regulations achieve a range of objectives that will allow us to commence the LASPO provision. In total they do the following. First, they disapply the removal of the £5,000 cap in some cases, mainly for customs and excise offences, and substitute alternative figures, generally £20,000. These can be found listed in Schedules 1 and 2.

Secondly, they deal with penalties that were previously expressed as a proportion of level 5. These are generally daily fines. The regulations deal with these by setting an alternative figure for them to be calculated against. So, for example, instead of being expressed as a fifth of level 5 they are changed for the time being to a fifth of £5,000, although the provisions are future-proofed so this amount could rise in line with increases to other fines. These changes can be found listed in Schedule 3.

Thirdly, as I have already mentioned, they make specific provision for fines currently expressed as a numerical amount of £5,000 or more by providing for these to become a fine of any amount. Similar provision is made for powers to create offences subject to such fines. These are listed in Schedule 4.

Fourthly, they deal with certain non-criminal penalty schemes which operate by reference to the amount of a fine on summary conviction. Changes here will make sure these continue to work once Section 85 is in force. These are listed in Schedule 5.

I hope that noble Lords will appreciate that the Government needed to trawl all legislative provisions to check whether changes needed to be made before we could commence Section 85. This was, as is apparent, a significant task, which accounts for the time it has taken to compile the regulations and for their considerable length. I hope that the Committee will consider these regulations, which are necessary in order to commence the provision in LASPO that Parliament has already provided. I appreciate that they are lengthy and complex, but they are essential before we can give magistrates the increased powers that Parliament intended. I therefore commend these draft regulations to the Committee.

**Lord Kennedy of Southwark (Lab):** My Lords, as the Minister has explained to the Grand Committee, the regulations before us today will, when Section 85 of LASPO is enacted, remove the cap on fines imposed in magistrates' courts on summary conviction. The regulations are to ensure the section works sensibly, and they provide for some exceptions.

I have a couple of points to raise with the Minister, but generally I am happy to offer our support to these regulations. I noted in paragraph 3.3 of the Explanatory Memorandum that an order was laid and then withdrawn in respect of Levels 1 to 4 fines and that there are no plans to reintroduce it in the foreseeable future. It would be useful if the Minister could tell the Grand Committee a little bit more about that.

Paragraph 7.7 in the Explanatory Memorandum explains that magistrates are obliged to follow the sentencing guidelines, unless that would be contrary to the interests of justice. I know this is an aside to the orders today, but I have recollections from my time as a magistrate sitting in Coventry. I used to do a lot of fines on Thursday mornings. We would spend a lot of time with people who had been fined by other magistrates' courts and could not pay the fine. It was a ridiculous situation with fines often grossly disproportionate to the person's means. It was not a proper punishment because they could not pay the fines. We all want to see punishments handed out that actually punish offenders on conviction, but they also have to be realistic to have the required effect. Does the department have any plans ask the Sentencing Council to look at fines and their suitably as punishment in terms of their scope, size et cetera? With that, I am happy to support the regulations before us today.

**Lord Faulks:** I am grateful to the noble Lord, Lord Kennedy, for his observations in relation to these regulations and for his agreement on the part of the Opposition in relation to them. It is true that we were responsible for laying regulations in June 2014 and then withdrawing them. They would originally have uprated the amounts of Levels 1 to 4 fines as well as Level 5 fines. The Government took the view that further consideration was needed in relation to the appropriate amounts at Levels 1 to 4, but the priority

was to give magistrates the power to deal with the most serious Level 5 offenders, which is why we have taken the most important step first in removing the £5,000 barrier. We are giving further consideration to Levels 1 to 4 fines, which cover the less serious offences. We are also giving consideration, by way of a review, to driving offences and penalties, many of which would be within Levels 1 to 4, although an offence such as driving without insurance is a Level 5 offence. Any proposal to change these fine levels requires agreement from both Houses of Parliament. It does not mean—if that was the inference, and I am not suggesting it was—that we are taking a soft line on Levels 1 to 4 offences, it is simply a question of prioritising Level 5.

The noble Lord identified the dilemma that faces many sentencing tribunals in finding the right penalty and, in the case of repeat offenders, the unreality sometimes of having to impose fines that reflect both the seriousness of the offence and the sentencing guidelines. The problem is very often that those who commit these offences do not necessarily have the means to pay, the fines become unrealistic, and whether it is appropriate to continue imposing fines at that level becomes questionable.

Of course, the Government do not purport to tell sentencing tribunals what is appropriate in a particular case, and among the matters taken into consideration

will be the means of the particular offender, not withstanding the guidelines, which are only guidelines. The courts will sometimes have other options, such as community penalties or even imprisonment, if the imposition of fines that are not being paid is becoming unrealistic. It is a matter for the individual tribunals. The Government respect the independence of the judiciary in this and any other field. I understand the dilemma the noble Lord identifies, but we feel that this change will give magistrates in appropriate cases the power to impose large fines, often on people who are, in fact, in a position to pay them.

The Secretary of State can ask the Sentencing Council to consider amending guidelines on specific matters if necessary, and the council is independent of the Government. Guidelines already cover in detail how fines are set in relation to income, and we like to follow carefully the way the Sentencing Council works and its sentencing guidelines. In fact, I am attending one of its meetings tomorrow, although not on this particular subject. It is important that the Government are at least aware of what it is doing. I hope that the noble Lord is satisfied with the answers to his questions.

*Motion agreed.*

*Committee adjourned at 3.30 pm.*





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