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House of Lords

Wednesday, 23 May 2012.

3 pm

Prayers—read by the Lord Bishop of St Edmundsbury and Ipswich.

Police: Reduction in Numbers Question

3.05 pm

Asked by **Baroness Smith of Basildon**

To ask Her Majesty's Government what assessment they have made of the impact of the reduction in the number of police officers.

The Minister of State, Home Office (Lord Henley): My Lords, what matters is front-line services—that is, how effective the police are at fighting crime. The Government are clear that the effectiveness of a police force depends not on overall numbers but on how well it deploys its resources.

Baroness Smith of Basildon: That is an interesting but slightly disappointing response from the Minister. Can I give him an example of the impact of these cuts? Twenty police stations in Essex, 28 in Hampshire and a staggering 34 in Devon and Cornwall are no longer open to the public. Across the country, we are losing police officers—500 in Sussex, 438 in south Yorkshire and more than 1,900 in the Met. I would never argue against any cuts.

Noble Lords: Oh!

Baroness Smith of Basildon: That has been the Labour Party position consistently. We are not against cuts. But even the HMIC and the Audit Commission warned of dangers of cuts in the police of more than 12%. The Government are cutting around 20%. What evidence is there that cutting so much above 12% would not lead to an increase in crime victims, and what estimate can the noble Lord give of any increase or decrease in crime in the next 12 months?

Lord Henley: My Lords, I am very grateful to the noble Baroness for at last saying that she and her colleagues are not arguing against making any cuts. The noble Baroness will accept that we inherited the toughest fiscal challenge in living memory and therefore we had to make cuts—cuts that the noble Baroness's own party would have made in the unlikely event that it had won the election. We have been clear that it is necessary to make cuts and that there is no simple link between officer numbers and crime levels. We want to make sure that we get the right people in the right place at the right time in the front line, doing the right job.

Baroness Harris of Richmond: My Lords, can my noble friend help me to define what the Home Office understands front-line policing to be?

Lord Henley: Put very simply, I can give my noble friend the definition as provided by Her Majesty's Inspector of Constabulary, who said that the police front line,

“comprises those who are in everyday contact with the public and directly intervene to keep people safe and enforce the law”.

We want to make sure that as many qualified certified constables are there doing that job and not doing backroom duties.

Lord Prescott: My Lords, this policy will reduce the amounts of money for the Humberside police by £30 million and hundreds of front-line police. Is the Minister aware that the number of criminal incidents and those of anti-social behaviour has been reduced considerably by the present force? In those circumstances, does he not accept the charge laid against the Home Secretary last week that a 20% cut is criminal? Is it not now true that, as with the health service, law and order is no longer safe in the hands of this Government?

Lord Henley: My Lords, my understanding is that the noble Lord is thinking of standing as police and crime commissioner for Humberside, and we wish him well in that job. He will then no doubt make the right decisions for that force. He knows, I know and the House knows that simple matters of numbers and the amounts of money spent are not the right thing. The important thing is to make sure that the right people are doing the right job at the right time, and that is what we want to make sure is happening. I am sure that that is what the noble Lord will want to make sure is happening should he manage to be elected as police and crime commissioner for Humberside.

Lord Elystan-Morgan: My Lords, the Minister referred to the function of the police in combating crime, and undoubtedly that is a major role. But would he accept that the duty of the police goes much wider than that? It is essentially to preserve the Queen's peace, which is much wider in its function than the mere combating of crime.

Lord Henley: The noble Lord is absolutely correct, but it is still a matter of making sure that the right people are doing the right thing at the right time. That is why I am making it clear that it is not simply a question of the number of police officers we have at any time but of their deployment by the chief constable of any given constabulary.

Lord Hamilton of Epsom: My Lords, as it is in everybody's interest that we should get value for money from our police service, is it not regrettable that the Surrey police have dropped their idea to privatise a large amount of their services?

Lord Henley: My Lords, at this stage I do not want to discuss any individual constabulary, but certainly I agree with my noble friend that we want to make sure that we get value for money. I hope that all police forces look at cheaper options for carrying out certain of their tasks which do not involve constables. As my noble friend says, that might imply that they privatise some of those activities.

Baroness Farrington of Ribbleton: My Lords, how many neighbourhood meetings, which the police hold regularly, has the Minister attended? Will he confirm my experience that what the public want is a police officer to respond when there is a difficulty, be it domestic, burglary or whatever? Mathematically, there is inevitably a relationship between the number of police officers employed and the response time to incidents, especially on a Friday and Saturday night.

Lord Henley: I am very grateful to the noble Baroness for talking about the need for the police to respond to individual and repeated complaints that come in. I refer her to the White Paper that we issued only yesterday, which makes it clear that we see it as vital that the police respond when complaints come in from the same individuals a number of times. That is why we talked about the community trigger in that document. The noble Baroness makes a very good point.

Lord Dear: My Lords, I suspect that we can probably talk about numbers for a long time. Of course, cuts are regrettable but I think that most Members of this House appreciate why some cuts are necessary. Earlier, the Minister mentioned getting value for money. Perhaps he could reassure the House that not only is it a question of having the right people in the right place at the right time but that the amount of equipment and the quality of training are also important. That would reinforce the statement that some cuts can be more than offset by the way in which the police are deployed.

Lord Henley: I am very grateful to the noble Lord for what he has said, which is absolutely right. The way that different police forces co-operate with each other in terms of getting their equipment procurement right is a very valuable way of getting greater value for money in those matters. It is not just a question of equipment but of IT and all such matters. Only yesterday, in the Moses Room, I dealt with an order relating to the national police air service. Again, that is a service where true value for money can be obtained only by all the police authorities operating together. That is something we want to continue to pursue.

Lord Harrison: Does the noble Lord accept his unchallengeable logic that if there was one policeman left doing the right job in the right place at the right time, that would apparently satisfy the Government?

Lord Henley: The noble Lord makes a very silly point, and makes it rather badly.

Media Ownership *Question*

3.13 pm

Asked By Lord Fowler

To ask Her Majesty's Government what plans they have for reviewing the rules governing media ownership.

Baroness Garden of Frognal: My Lords, the Government have commissioned a report from Ofcom on media ownership to be completed in June 2012. As your Lordships will be aware, the Leveson inquiry will also report on matters related to media ownership and any recommendations will be considered as part of the communications review.

Lord Fowler: Surely the Leveson inquiry has already confirmed that over the past 30 years politicians of all parties have, in the words of the Prime Minister, "cosied up" to the media proprietors to get support. Is there then not a clear conflict of interest when those same politicians become Ministers and judge on media mergers and takeovers? If that is the case, why cannot we act now and take politicians out of the whole decision-making process?

Baroness Garden of Frognal: My noble friend makes some valid points, although I should add that not all politicians have cosied up to the Murdoch empire over the years. However, in the light of recent events, it has become increasingly important that politicians are not seen to influence decisions on the media. The Secretary of State has himself agreed that this is a very important item for discussion, and it will undoubtedly be taken up when the decisions on these matters are made.

Baroness O'Neill of Bengarve: My Lords, have the Government taken any thought about what they would do if they discovered that the Murdoch-owned press was to be sold off? We already have a very high proportion of non-taxpaying non-resident owners of the British national press. Do the Government have contingency plans in mind in order that we should retain at least parts of our media that are in the control of people who have a stake in the future we share?

Baroness Garden of Frognal: The noble Baroness, I know, has raised this concern before, and it is a valid one. It will be part of the consideration. I am not trying to put off giving an answer on this. It is one of the things that will certainly be taken into account in the light of the Leveson report and the Ofcom report which is due next month. We then need to look holistically at how to cope with these issues.

Lord Roberts of Conwy: My Lords, do the Government have any plans to extend this review beyond media ownership to the BBC, and particularly to its rules on political impartiality?

Baroness Garden of Frognal: My Lords, my understanding is that this particular review is contained within the media that have been the matter of debate for so long. The BBC has its own regulations which are constantly scrutinised. For the moment the review relates mainly to the printed media but obviously it could apply to multimedia as well.

Lord Soley: Does the Minister accept that there is, in fact, already enough evidence to show that the Murdoch empire was too big and we ought to recognise that principle now; that there is a difference between a

publicly funded broadcaster such as the BBC which is subject to all the rules and regulations that we in Parliament lay down indirectly, and a private owner; and that the old term “the press barons” has come to mean something that is deeply disturbing to us all? We need to start by saying that the Murdoch empire became too big and has to be cut down in size.

Baroness Garden of Frognal: The noble Lord makes a very clear distinction between regulation of media in public ownership and media in private ownership which is a valuable one to bear in mind. It is perhaps interesting to cast one’s mind back in history and see if we can think of any particularly philanthropic and beneficial media moguls over the years. It is not a new issue but it is very much an issue of today.

Baroness Bonham-Carter of Yarnbury: My Lords, does my noble friend agree that tackling the concentration of media ownership is important because greater plurality means greater diversity, and that this can only be good for both our journalism and our politics?

Baroness Garden of Frognal: Yes, indeed—my noble friend makes another important point on this. At the moment the media-plurality public interest test can be triggered only by a merger or takeover; it cannot really take account of organic growth. That is certainly an issue which the current reviews will look at to ensure that owners who take different forms of media into their ownership can also be under scrutiny.

Baroness Jones of Whitchurch: My Lords, can the Minister confirm when the long-promised communications Green Paper will be published? Can she clarify whether there is any truth in the media reports that Jeremy Hunt is so busy preparing for the Leveson inquiry that he has had to put the Green Paper on the back burner? If that is the case, does it not underline our view that it is time to let someone else get on with the job?

Baroness Garden of Frognal: No, I do not follow that logic at all, I am afraid. The Secretary of State is probably as busy as anything with the Olympics and all the other activities of 2012 that we have been discussing so fully in your Lordships’ Chamber. The communications review is on course. Subject to the legislative programme, the Government hope to introduce new legislation before the end of this Parliament, and of course the Leveson inquiry will influence the contents of that.

Lord Phillips of Sudbury: My noble friend asked a question of herself as to whether there were media moguls who had been extremely philanthropic. In that category, she may recognise the Scott family and the Scott Trust, which owns the *Guardian* and the *Manchester Evening News*. Is she aware of any country in the developed democratic world that is as indifferent about who owns its essential press?

Baroness Garden of Frognal: Well, one can never anticipate the questions in your Lordships’ House but I thank my noble friend for putting me right on kindly media moguls. Regarding his question, I think that

that could be a topic of advanced research for some students in one of our splendid universities, making a comparison with other countries.

Lord Grocott: My Lords, have not successive Governments made unnecessarily heavy weather of what is actually a very simple, although very important, problem, which is, as my noble friend Lord Soley said, the huge concentration of media power in just a few people? Can I ask the noble Baroness, first, certainly to accept what the noble Lord, Lord Fowler, has recommended and, secondly, to adopt the very simple principle that one national newspaper is more than enough for anyone?

Baroness Garden of Frognal: The noble Lord of course makes very valid points. Once again, I have to draw attention to the fact that we have ongoing inquiries which will look at that, and it may well be that they will conclude that one national newspaper is enough. However, we have had some very productive cases of people owning more than one newspaper, and the question then is: how many is too many?

Asylum Seekers: Children *Question*

3.20 pm

Asked by **Baroness Lister of Burtersett**

To ask Her Majesty’s Government what action they propose, as part of their review of the level of asylum support, to tackle severe poverty experienced by children in asylum-seeking families.

The Minister of State, Home Office (Lord Henley): My Lords, asylum support rates are currently under routine review. Careful consideration is always given to the impact of rates on families with children. Any decision to adjust rates will also reflect the temporary nature of asylum support and the fact that asylum seekers have access to fully equipped accommodation, with utility bills paid. No person who has sought protection in the United Kingdom need be destitute while their application is decided.

Baroness Lister of Burtersett: My Lords, the Children’s Society and refugee organisations have reported alarming evidence of growing destitution among asylum-seeking children, young people and families, due in part to levels of financial assistance well below those of income support. Can the Minister explain how this state of affairs is compatible with the Government’s obligations under Article 27 of the UN Convention on the Rights of the Child and Article 11 of the International Covenant on Economic, Social and Cultural Rights, both of which uphold the right to an adequate standard of living?

Lord Henley: My Lords, I am aware of the report from the Children’s Society, and my honourable friend Damian Green and officials have met the society to discuss it. The noble Baroness asked for an explanation

[LORD HENLEY]

of the disparity between income support levels and the rates of support that we offer asylum seekers. The simple reason is that asylum seekers get all their accommodation and utility bills paid, and therefore it is not necessary to pay their support at 100%. The noble Baroness will also be aware—I think this is important—of how this disparity occurred. Until 2008 asylum rates were set at 70% of income support, and a decision was then taken by the Government of the time—who, as the noble Baroness will be aware, happened to be a Labour Government—to break that link. Since then, the levels have been set annually each year in accordance with what has been felt to be appropriate.

Baroness Sherlock: My Lords, I think that the Minister may have slightly misheard my noble friend Lady Lister. She asked specifically whether the Government can tell us whether they are satisfied that they are meeting their human rights obligations. Perhaps I may ask the Minister a simpler question. Have the Government made any formal assessment of whether the levels of support they supply under Section 55 of the Act meet the requirements of that section? In other words, have they done an assessment and can they be satisfied that children's health and well-being are being protected?

Lord Henley: My Lords, we are obliged to look at those matters each year and we do so. We do not believe that the levels of support should be at 100% of income support because we are paying for other things, such as rent, rates and utility bills, which amount to a very large proportion of what would otherwise be accounted for in income support. We are satisfied that the rates are right and we are continuing to look at them. I repeat that the link in rates, which was originally set at 70% of income support, was broken by the party opposite when it was in government. It can explain that if it wishes.

The Lord Bishop of St Edmundsbury and Ipswich: My Lords, many in this House will recall a significant debate about the development of children in their early years. Will part of this review help us to understand whether the rates of support for children in asylum-seeking families mean that they are indeed developing emotionally, socially and physically in a way that will prevent a lot of trouble later in life?

Lord Henley: My Lords, we will take all factors into consideration when we review those figures. We will look at them, but I think that I ought to repeat to the right reverend Prelate that obviously we hope that people will be in the position of seeking asylum for a relatively short time before a decision is made. If a decision is then made that they can stay in the country, obviously ordinary rules about benefits will apply. If they are going back to their own country, it will then be a matter for the country they go back to.

Lord Tomlinson: The noble Lord has made great play several times of the fact that the previous Government broke the link with 70% but he has not yet told us what the new link is. It is deemed to be appropriate

when it is fixed, but can he tell us whether the current link is more than 70% or less than 70%. If it is less, what is it?

Lord Henley: My Lords, there was an informal link of 70%, which is what I was referring to. Now if one looks at the different rates of income support, we can see a whole range of different rates, varying from, I am told, something from just below 60% up to 100%. It varies according to the rate of benefit. I am more than happy to write in greater detail if the noble Lord wishes, but it is rather too complicated to give such information at the Dispatch Box in the time that is available to me.

Baroness Hamwee: My Lords, it is estimated that 120,000 children are living in the UK without legal immigration status. That estimate was made by the University of Oxford which, in a recent report, also commented that,

“because of contradictory and frequently changing rules and regulations”,

both in immigration and in the allied areas that we have been discussing, access to public service has been hugely jeopardised. These are changes that have happened over the past 20 years or so. Can the Minister comment on how our policies can be better joined up, which is something that has challenged every Government?

Lord Henley: My Lords, the Question relates just to those seeking asylum. Obviously there are other means of dealing with those who have failed to get asylum status or for those covered in other ways. For example, Section 4 support is available to those who have failed to get asylum, should they be destitute. Other than that, we look to see whether they have families here who might also be able to support them. However, I think that my noble friend's question is wide of the Question on the Order Paper.

Lord Martin of Springburn: My Lords, the Minister mentioned decisions made by previous Governments. To his credit, David Blunkett, when he was Home Secretary, abolished vouchers which were being given to asylum-seeker families, which were undignified not only for the asylum seekers but for their children. I hope that a time when we are looking for savings we never go back to the voucher system that we had approximately 10 years ago. I can report that in many of the schools in Glasgow, the asylum-seeker children who came 10 years ago are now at university and in further education.

Lord Henley: My Lords, we accept that it is right that asylum support should be given. The important question is to decide what the rate should be. I think that the noble Lord would accept that when David Blunkett made decisions on these matters it was agreed that it should not be as high as the income support rate because asylum seekers were being looked after in other ways in terms of rent, rates and utility bills. If that is the case, obviously decisions have to be taken on what the rate should be. Obviously it should not be as high as the income support rate.

NHS: General Practitioners

Question

3.29 pm

Asked By **Lord Laming**

To ask Her Majesty's Government what steps they are taking to increase the public accessibility and range of services provided by general practitioners in the National Health Service.

The Parliamentary Under-Secretary of State, Department of Health (Earl Howe): My Lords, from April 2013 the NHS Commissioning Board will be responsible for commissioning primary medical services. As a single organisation the board will be able to ensure that a consistent approach is applied to defining and delivering accessible and high-quality GP services. Clinical commissioning groups will also actively seek to improve care delivered by general practice because of their inherent interest in enhancing the wider quality and cost-effectiveness of NHS care.

Lord Laming: My Lords, I am grateful to the Minister for that very helpful reply. He knows better than most that if the intentions of the new Health and Social Care Act are to be realised, locally based community health services will need to be transformed. Will he say a little about the process, and in particular whether the users of services—the patients—will be given an opportunity to contribute to that transformation?

Earl Howe: The noble Lord raises a central issue that is certainly a major part of the Government's programme—to shift services in general out of acute settings, where appropriate, and into the community. We expect that clinical commissioning groups will wish to engage with health professionals from across the full range of disciplines to design care in better ways, and in particular to ensure that the shift goes on. The noble Lord mentioned patient input, which is another key responsibility of clinical commissioning groups—and a legal duty that we made sure was in the legislation.

Baroness Gardner of Parkes: Will the Minister tell me the position on homeopathic medicine? I had a lot of letters this week from patients who were concerned that they might no longer be able to benefit from it, and from GPs who practise homeopathy.

Earl Howe: My Lords, the Government have laid down no bar on homeopathic medicine. The prescribing of homeopathic remedies is very much a matter of clinical judgment and we would not wish to fetter that.

Lord Swinfen: My Lords, to what extent are general practitioners using telemedicine to cut down the time needed to obtain specialist medical advice for their patients?

Earl Howe: My Lords, this is a very exciting area. I have seen some extremely good examples of telemedicine that will deliver not only greater efficiency within the health service, sometimes enabling clinicians to diagnose conditions in patients from a remote standpoint, but also

greater safety and effectiveness of care for patients. For example, I saw a demonstration of stroke diagnosis that can be done remotely by laptop. This is an area on which the department is focusing a lot of attention, not least through the 3millionlives initiative, through which we hope over the next few years to ensure that 3 million people benefit from telecare and telemedicine.

Baroness Jolly: My Lords, what role should practice-based patient participation groups have in moulding the services that their GPs offer?

Earl Howe: My noble friend is extremely familiar with this area. I have also come across some extremely effective practice-based patient groups that are enormously valuable, and are valued by the GPs and other primary care staff with whom they interact. It is very much part of the world of the NHS today and we wish to see it continue.

Lord Harrison: My Lords—

Baroness Wheeler: My Lords, at the conference this week we heard the growing concern of GP leaders and delegates that grass-roots GPs were being excluded from involvement in clinical commissioning groups. How will the Minister address this, and will he ensure that CCG guidance includes best practice on how their involvement can be ensured?

Earl Howe: My Lords, each GP practice will have a GP or other health professional who will represent the practice in dealing with the CCG. Other GPs may be involved in the clinical design of local services, building in some cases on existing GP involvement in practice-based commissioning. Most day-to-day commissioning activities are likely to be undertaken by staff within CCGs, but part of the rationale for this is clinical engagement and involvement. I would be very concerned to hear of instances where GPs felt that they were being shut out of the process of development that is now under way. If the noble Baroness could draw my attention to any such instances, I would be grateful.

Baroness Deech: My Lords, the Minister will know that a very large number of GPs are women. I chaired a committee on this for the Department of Health. To increase their availability, what steps is he taking to ensure that there is proper maternity leave provision for GPs, and assistance with childcare? These two issues have definitely restricted the availability of women GPs.

Earl Howe: The noble Baroness is correct: these are important issues and my department is in regular contact with the Royal College of General Practitioners, talking about those issues among others. The number of GP trainees has increased in recent years, as she will know, both men and women. The Centre for Workforce Intelligence, which is our independent advisory body on workforce planning, recommends that we should increase the number of entry-level training posts by 450 to around 3,250, phased over the next four years. I am afraid that I have not got the split of figures between men and women GPs but I shall write to her to let her know exactly what we are doing to address the areas of concern that she has raised.

Financial Services Bill

First Reading

3.36 pm

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

Civil Aviation Bill

First Reading

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

Gambling Act 2005 (Amendment of Schedule 6) Order 2012

Motion to Refer to Grand Committee

Moved By *Baroness Rawlings*

That the draft order be referred to a Grand Committee.

Motion agreed.

Community Right to Challenge (Fire and Rescue Authorities and Rejection of Expressions of Interest) (England) Regulations 2012

Motion to Refer to Grand Committee

Moved By *Baroness Hanham*

That the draft regulations be referred to a Grand Committee.

Motion agreed.

G8 and NATO Summits

Statement

3.37 pm

The Chancellor of the Duchy of Lancaster (Lord Strathclyde): My Lords, with the leave of the House, I shall now repeat a Statement on the G8 and NATO summits which my noble friend the Prime Minister attended in America last weekend. The Statement is as follows:

“The common theme across both summits was economic stability and international security. At the G8 we reached important conclusions on dealing with our debts, growing our economies and dealing with the risks in the eurozone. Let me take each in turn.

Mr Speaker, deficit reduction and growth are not alternatives: you need the first to deliver the second. There was absolutely no debate about this: it was my view; it was Chancellor Merkel’s view; it was President Obama’s view; and it was President Hollande’s view. Indeed, France will balance its budget at a faster rate than Britain. In Britain, in two years, we have cut the deficit we inherited from the last Government by more than a quarter and our approach has been endorsed again by the IMF this week and by the OECD.

At a time of tight budgets, a proper growth plan requires not just a credible fiscal policy which secures low interest rates but also structural reforms to make our economies more competitive, active monetary policy and innovative use of our hard won credibility to ensure investment in long-term infrastructure. We are taking all these steps in the UK and promoting them in Europe as well, and in every area we need to do more. Prime Minister Monti and I have gathered 10 other EU leaders to call for the completion of the single market in digital and services—classical structural reforms to our economies. President Hollande is coming forward with creative proposals, such as project bonds, and, as the House knows, in recent months the ECB has helped supply liquidity to European banks.

I will be pursuing all of these elements at the informal European Council tonight and at the formal council in June, after which I will of course be making a Statement to the House.

Growing our economies also means doing everything we can to get trade moving. At the end of the G8 meeting there was a serious and substantive discussion about the potential for an EU-US trade deal. The EU and US together make up half of the world’s GDP. There is a huge amount of work to be done—and a further effort will be made at the G20 next month—but this could have a positive impact on both sides of the Atlantic.

The greatest risk facing the eurozone and indeed the world economy is the situation in Greece. The future of Greece is for the Greek people to determine. It is for them to decide what is best for their country, but we cannot afford to allow this issue to be endlessly fudged and put off. The Greek election should in effect be a straightforward choice between staying in the eurozone, with the responsibilities that entails, or taking a different path. The eurozone and Europe as a whole need to have contingency plans in place for both eventualities. These should involve strengthening banks, protecting financial systems and ensuring decisive action by European institutions to prevent contagion. I can tell the House that whatever the outcome, the Government will do whatever is necessary to protect this country and secure our economy and financial system.

Alongside the discussion on the economy, I had two further priorities for this G8: to continue the good work of the G8 on development, and to support the Arab spring and the promotion of democracy and reform. On development, the New Alliance for Food Security and Nutrition is an important initiative that aims to help 50 million people lift themselves out of poverty over 10 years. For countries to receive help they need to show a real commitment to transparency and good governance, and in return they get substantial support to generate private sector investment in food production. This is a great combination of promoting good governance and helping Africa to feed its people, and I will be building on this with a major event on hunger during the Olympic Games in the UK.

Encouraging the private sector to create jobs is one of the best routes to sustainable, equitable growth in poorer countries, but aid still has a vital role to play. For the first time in a decade, the amount of aid given by the world’s richest countries to the world’s poorest

countries has fallen back. Promises are being broken. This is wrong. Britain continues to honour its commitments and other nations should do likewise. In the G8, which we will be chairing next year, we will once again produce the report showing who has and who has not kept their promises.

The G8 also reached important conclusions on Libya, Iran and Syria. Specifically on Syria, there was backing for the Annan plan and for further UN measures if Assad does not change course. It was significant that the Russians agreed to this. I raised Burma and the need to support the foundations of a lasting and irreversible transition to democracy, and I will be making this a feature of our G8 next year. I am sure the whole House will look forward to welcoming Aung San Suu Kyi when she addresses Parliament next month.

Let me turn to the NATO summit. Some people write off NATO as a relic of the past. I believe it is vital to our future security. The threats NATO countries face largely come from beyond our borders: failed states, terrorism and nuclear proliferation. Because of this, it makes sense for NATO to be prepared to link up with partners around the world to act out of area, and to spend less on the weapons of past conflicts like battle tanks and more on the technology needed for tomorrow's conflicts. All of these things were agreed at the summit. That is not to say that NATO should not take steps to defend Europe and North America; it should, and we declared at the summit that the interim ballistic missile defence capability that will protect Europe is now operational.

It was particularly good to have a special session with the partners who work with NATO around the world, and in particular the 50 countries which make up the NATO-led alliance in Afghanistan. NATO's military commanders set out the progress in the campaign. Attacks by insurgents are down and the transition to Afghan control is on track. Over the next few weeks, we will reach the point where 75% of the population will be living in areas where Afghan forces are in the lead for security. The vital next steps are to deliver the final stages of transition by continuing to build up the Afghan national security forces and ensuring that they are properly funded for the future. Britain is pledging £70 million—\$100 million—a year. But it is right that other countries should step up and contribute to the future of Afghanistan, irrespective of the role they have played so far. This summit marked a turning point in these contributions, with almost \$1 billion being pledged to support the Afghan national security forces.

Britain has played a leading role in this alliance for reasons of our own national security. Three years ago some three-quarters of the most serious terrorist plots against Britain had links to Afghanistan and Pakistan. Now I am advised that that figure has fallen to about half. Our aim is an Afghanistan that is able to take care of its own security without the need for foreign troops, an Afghanistan that can prevent al-Qaeda returning and posing a threat to us and to our allies around the world.

The tremendous hard work of our courageous service men and women is making this possible. After 10 years, our service men and women will finally be coming home. I pay tribute to them. Their service and sacrifice is

beyond measure. We remember in particular all those who have given their lives in this vital task to keep our country safe. I commend this Statement to the House".

My Lords, that concludes the Statement.

3.46 pm

Baroness Royall of Blaisdon: My Lords, I am grateful to the Leader of the House for repeating a Statement given earlier today in the other place by the Prime Minister on the G8 and NATO meetings. We on these Benches very much welcome the announcement made today about the visit of Aung Sang Suu Kyi. Her whole life is an extraordinary and humbling record of her fight for democracy and human rights and we look forward hugely to her visit to this country, and in particular to her speaking to both Houses of Parliament next month.

I will begin with the NATO summit. On Afghanistan, we welcome the summit's confirmation that the transition of full security responsibility from ISAF to the Afghan national security forces is set for completion by mid-2013, with the end of British combat operations by the end of 2014. Our troops have already served heroically in Afghanistan for over a decade. We owe them enormous gratitude and I certainly endorse the tribute paid in the Statement. I know that I speak for the whole House when I say that we want to see them home with their families—and home in the right way, respecting the professionalism that they have shown and the sacrifices that they have made.

To that end, can the Leader give the House a clearer indication of the timetable for the expected draw-down of British combat troops between now and 2014? Can he tell us how many British service personnel the Government expect to remain in Afghanistan after 2014 and which services they will be drawn from, and confirm that those who remain will serve under a NATO command and control structure? Can he tell the House what discussions the Government have had with President Zardari on the issue of land access across Pakistan, which is so vital for British military and ISAF supplies?

Turning to the political situation in Afghanistan, does the Leader of the House agree that honouring the sacrifices and bravery of our troops means taking the political challenge there as seriously as the military challenge? Given that the final stage of the military campaign is under way, what concrete steps will now be taken that were not already in place before Chicago to secure an inclusive political settlement within Afghanistan and between Afghanistan's regional partners? Does the Leader agree that we need a far greater urgency in seeking this political settlement?

Women in Afghanistan have made significant progress over the last few years, in part thanks to advances in education, which we have supported. We celebrate the fact that women now make up 27% of the Afghan National Assembly—interestingly, this compares to 22% in the House of Commons. However, these courageous women are deeply concerned about what will happen to their hard-fought gains after 2014. Can the Leader assure me that the position of women will be taken into consideration in all talks relating to a political settlement?

[BARONESS ROYALL OF BLAISDON]

On Iran, can the Leader of the House confirm media reports that the issue of Iran's nuclear capability was discussed last week by the National Security Council? Can he confirm that the Government have sought legal advice on the legality of a range of possible actions by the United Kingdom in relation to Iran's nuclear capability? Can the Leader update the House on the talks on this issue taking place in Baghdad today?

Turning to the G8, we join with the Government in calling for an immediate end to violence to stop the continuing bloodshed in Syria. The Statement rightly mentioned the discussions that have taken place about Africa. Can the Leader say whether or not Africa will be high on the agenda when the UK takes over the chair of the G8 next year?

On the global economy, we desperately needed a summit that delivered a plan for growth but did not get it. That was because the international community is divided between those who believe that we must have a decisive shift towards growth—including President Obama, now joined by President Hollande—and those who believe that the answer lies in more of the same: that is, the German Chancellor and our Prime Minister. For two years, the Government have been telling the world that austerity alone is the answer. Now, as the recognition dawns that this is not working, the Government find themselves on the wrong side of the argument.

On the economy here at home, this Government have delivered: recovery turning into recession, no growth for 18 months and over 1 million young people out of work. Even the IMF is now saying that time is running out for plan A. At the G20 last November, the Prime Minister signed a communiqué that said that,

“should global economic conditions materially worsen”,

countries will take,

“measures to support domestic demand”.

Global conditions have worsened, so what is the action for growth? Where is the decisive shift that we need across the global economy? The reality is that this Prime Minister cannot be the advocate for a plan for growth abroad when he and his Government cannot advance one at home.

Finally, on the European summit tonight, Eurobonds are important, and a stronger firewall would make a difference. However, the crucial thing is demand. Does the Leader of the House accept that without a plan for growth in Europe we cannot get a solution on deficits across Europe that is either politically or economically sustainable? The problem with the Government, the Chancellor of the Exchequer, the Prime Minister and indeed the Cabinet—of which the noble Lord the Leader of the House is a member—is that they can only offer more of the same. They cannot be part of the solution because they are part of the problem. All they can offer is more austerity—but austerity is not working in Britain and it is not working in Europe. We need jobs and growth in this country. We believe that it is time that this Government shifted their strategy and started to do things to help generate jobs and growth.

3.52 pm

Lord Strathclyde: My Lords, I am immensely grateful to the noble Baroness for joining in the tribute to our servicemen, who do such an extraordinary job abroad, not just in Afghanistan but elsewhere as well. I join her in celebrating the visit of Aung San Suu Kyi next month. As soon as we have a date, we will of course let everybody know so that they can make their arrangements to come along and listen to her speak.

The noble Baroness asked about the timetable for the expected drawdown in Afghanistan. I confirm that there will be 9,000 troops on the ground by the end of this year. We need a clear pathway for drawdown based on conditions on the ground. I am sure that is well understood. We are responsible for three districts. I and other Ministers will keep the House updated as to how that timetable progresses, as we will with the situation post-2014, where we have agreed, rightly, to provide assistance with an officer training college in Afghanistan, along with Australia and New Zealand. That will be the baseline of our commitment although we will of course listen to other requests. There will therefore be a NATO training mission as opposed to the NATO combat mission currently.

The noble Baroness also asked about the relationship with Pakistan and, in particular, the control of ground lines across Pakistan. We believe it is essential that these are reopened and are confident that progress will be made. We would like it to be more rapid and will have to wait and see until we get a settlement.

The noble Baroness made much of something that I think is equally important—the political settlement in Afghanistan. If there has been a military surge, we also need a political surge. There is no military solution for Afghanistan, but there may be a political one. As the House knows, we have made an offer to the Taliban to lay down their weapons and to join the peace process within Afghanistan. The political process has not progressed as quickly as we would like, hence the need properly to train up Afghanistan's own security forces and police, making the country safe to hand over. However, we are fully committed to a political process. I can also confirm that the position of women in Afghanistan is extremely important, not just to this Government but to many other Governments who play their part in Afghanistan. We must hope and believe that the work and progress that have been achieved over the course of the past few years will hold—in perpetuity, I would hope—in Afghanistan after the troops have left.

I cannot update the noble Baroness any further on the situation in Baghdad and the discussions with Iran, but I can confirm that in the G8 next year the position of Africa will play a major part. This Government are immensely proud of their record of support for developing and underdeveloped nations and our commitment to expenditure and the work that has been done. We will call upon other countries to make similar commitments.

As for the United Kingdom economy, I thought the noble Baroness was unnecessarily churlish today, in a week where we have seen that inflation has fallen, that unemployment fell last month and that, for the first time since 1976, we exported more motor cars than we

imported. We are reducing the deficit and we have historically low interest rates. That seems to be a good record. Of course, I say that with no ounce of complacency. We all know that we are living in extremely difficult and complicated economic times. There is a good deal of uncertainty in the world, particularly within Europe. The noble Baroness said that we had no plan except for austerity, but you have only to look at what the French President said, not that recently but last year. He said that the national debt is the "enemy" of the Left and of France. We agree with that. Much more recently, on 6 May, he said:

"The means cannot be extra public spending, since we want to rein it in".

Austerity and growth are not mutually exclusive but you cannot have one without the other. That is the most important thing. It would be much better if we agreed about these matters across the Benches in these extremely difficult economic times. However, we have the flexibility of our own currency and the Bank of England, and I very much hope that that will lead to growth in the long term.

Lord Jopling: My Lords, will the Leader of the House tell us whether there were any discussions about the lamentable stand-off that exists between NATO and the European Union, which prevents a great deal of necessary co-operation? This stand-off has been going on for far too long because of the difficulties between Greece and Turkey over Cyprus. Was anything discussed to try and settle this long-standing issue?

Lord Strathclyde: My Lords, we will continue to work hard to resolve these issues, not just within NATO but within the EU. My noble friend has tremendous knowledge and expertise on this subject, and he is right to draw it to the House's attention. I cannot promise that there will be an early solution, but he can rest assured that we will continue to work on it.

Lord Anderson of Swansea: My Lords, was there any evidence at the Chicago NATO summit of any repositioning of the US defence priority away from Europe and in the direction of Asia? Was there evidence also of the frustration of the United States at the lack of response within Europe to the defence needs? In particular, what relevance does that frustration have for the UK-French treaty? Do the Government think that that should be strengthened in any way? There has been some success on the nuclear side but apparently the co-operation on the non-nuclear side is fairly becalmed at the moment. What discussions are we having with the French about improving the degree of co-operation, even integration, of our defence forces?

Lord Strathclyde: My Lords, I do not think that the summit in Chicago was about a revolution within NATO or about a comprehensive reassessment of the role of the United States within NATO or indeed about the relationship between the United Kingdom and France. Obviously all these matters are reviewed and kept very firmly in discussion. The Prime Minister argued, and the summit agreed, that NATO should not lower its ambitions or look inwards to the core responsibility of collective defence but rather should look outwards, reassert NATO's relevance and make

sure it is ready and capable of tackling the threats that may lie outside its territories. Indeed, President Obama and the Prime Minister argued that NATO should consider a process not dissimilar to the strategic reviews recently carried out in Britain and the US.

As far as France is concerned, where co-operation has been extremely close over the past few years, there is a recognition that there is no need to change that but, with a new President, discussions will continue. I see no reason why we should not continue that close co-operation between the United Kingdom and France.

Lord Dholakia: My Lords, I thank the noble Lord for this broad Statement. It seems that the most exciting part of the G8 event was Chelsea's victory over Bayern Munich and the resulting hug from Chancellor Merkel.

On growth and jobs, what is the EU/US trade deal in relation to our co-operation on this matter? Would it apply to all business sectors? How will it be taken forward? Secondly, on Iran, there is considerable speculation about action including, as the Leader of the Opposition said, obtaining a legal opinion on this matter. Can the Leader of the House assure us that before any action is taken in relation to Iran there will be full consultation with the British Parliament?

Lord Strathclyde: My Lords, I am always in favour of as much consultation as possible on these matters. One important but less well recognised aspect of the G8 was the discussion between the EU and the United States about a long-term trade arrangement. We are all disappointed that the Doha trade round is going nowhere, and I think there is general recognition that we need more energy on trade around the international system to push back the rising tide of protectionism. We want to see further trade liberalisation where groups of countries forge ahead with ambitious deals of their own. Therefore, we are keen to launch negotiations with other countries, including Japan, and are preparing to negotiate with the US. It is a tough challenge, and I cannot offer my noble friend a road map of exactly how it is going to take place, but given that together the EU and the USA make up a third of global trade and nearly half the world's GDP, the prize is extremely substantial and worth while.

Lord Browne of Ladyton: My Lords, in the Statement that we have just heard, the noble Lord the Leader of the House reported that the Secretary-General of NATO took advantage of the NATO summit to declare that the interim ballistic missile defence capability was operational. Is the noble Lord able to explain in more detail what that phrase means and, much more importantly, how much that capability cost, what the next stage of development will cost, how much the United Kingdom has committed to paying for the next stage of development and whether it will come out of the core defence budget? Perhaps when he answers this question he may tell your Lordships' House when we may get an opportunity to debate ballistic missile defence.

Lord Strathclyde: My Lords, it is not often that I get asked a question that I am comprehensively unable to answer, but this is one of those times. I am afraid

[LORD STRATHCLYDE]

that I cannot go beyond the sentence that I read out in the Statement. Perhaps I could reply to the noble Lord by letter. More importantly, he suggested that there should be a debate. There are opportunities for debate over the next few weeks and the missile defence system may well be one of those areas that the usual channels should discuss whether or not to bring forward.

Lord Stirrup: My Lords, the noble Lord the Leader of the House mentioned the cost and funding of the future Afghan national security forces and described the NATO summit as something of a watershed in this regard, with \$1 billion in pledges. Perhaps a better metric might be the comparison between, on the one hand, the sum total of Afghan GDP and foreign aid and, on the other, the expected cost of running the future Afghan state, since after the end of the NATO mission it will be as much a matter of politics and development within Afghanistan as it is a matter for us. Can the Minister tell us where we stand on that metric?

Lord Strathclyde: My Lords, all I can say is that our support for Afghanistan, particularly in terms of development through DfID, will continue according to needs and the criteria that are set. What was important about the Chicago summit was a recognition that, post-2014-15, there would still need to be substantial financial support for the security forces of Afghanistan, hence the setting up of this fund to raise over \$1 billion. The United Kingdom has fully pledged its support for this and has committed to spending £100 million a year, at least for three years post-2014.

Lord King of Bridgwater: I join my noble friend in his tribute to the great courage of our Armed Forces. Is it not true to say that, in a very real way, the objective that they were sent there to achieve has been achieved, which was to make sure that Afghanistan did not become a future base for al-Qaeda? In that connection, I challenge something in the Statement, which has linked together the most serious terrorist plots that are supposed to have had links with Afghanistan and Pakistan. I wonder how recent any links have been with Afghanistan. I am sure that there is a real problem about Pakistan and a real problem about the Yemen, but I personally believe that the Afghan Government and the ethnic groups that support them, as well as the Taliban, will all stand together in being absolutely determined that al-Qaeda will never get back into Afghanistan because of the problems and disasters that it caused.

Perhaps I could add one further point. The noble Baroness and the noble Lord, Lord Dholakia, raised the issue of Iran. The noble Lord, Lord Dholakia, encouraged full parliamentary consultation before any action is taken. That tends not to be possible in the real world, so let me start the consultation now by saying that I think that the maximum restraint should be exercised in an extremely difficult situation and that every possible muscle of the British Government should try to ensure that there is no ill advised and extremely dangerous military action that could only make a difficult situation worse.

Lord Strathclyde: My Lords, my noble friend, with all his knowledge and experience in these matters, has taken the opportunity to share his views with your Lordships' House. That is immensely useful as part of the process of discussion. On Afghanistan, I do not think that where my noble friend stands and where my right honourable friend the Prime Minister stands are all that different. With him, we agree that the initial objective in Afghanistan has been reached and that the most important objective, which is that it should no longer become a home for terrorism, has been largely achieved. But my noble friend is right, and we entirely agree with him, that there are other countries, most notably Pakistan, with which the United Kingdom has very close links, where there are still major issues to resolve. That is not just in Pakistan; it is also in other countries.

Lord Barnett: The noble Lord spoke briefly in the Statement about the eurozone problems and Greece in particular. He said that that was a matter for the Greek people, but is it not the case that the Greek people—according to opinion polls, anyway—seem inclined to stay in the eurozone while not wanting the austerity programme? Can the noble Lord tell us what the situation would be then?

Lord Strathclyde: My Lords, the noble Lord is asking me to look into a crystal ball to give us the results of the Greek elections and to try to guess what I think is almost unguessable at the moment as to the likely reaction of the markets of the rest of the eurozone countries and the impact not just within the EU but on the rest of the world and particularly the United Kingdom. The Prime Minister has laid out—and I suspect that the noble Lord, beneath his occasional expostulations, agrees with this—that it is in Britain's best interests for the eurozone to sort out its problems. The eurozone is at a crossroads. It either has to make up or it is looking at a potential break-up. Europe should have a committed, stable and successful eurozone with an effective firewall; it should be well capitalised with well regulated banks and there should be a system of fiscal burden sharing and supportive monetary policy across the eurozone. If we do not get that, we are in uncharted territory. I will not be the first Minister from the Dispatch Box to advise either the Greeks or the eurozone what they should do next.

Lord Forsyth of Drumlean: My Lords, even if we get what my noble friend suggests, which is some kind of common fiscal and government operation across the eurozone, is it not evident now that Greece is not the malady but simply a symptom of the malady and that, if we persist in this belief that you can tie economies that have different competitiveness together, we will see the problem re-emerge? Should we not therefore be encouraging people to acknowledge in the G8 and elsewhere that the euro has been a disastrous experiment, which is impoverishing people throughout Europe? We must look to a return to currencies in Europe and acknowledge the damage that has been done rather than encouraging further integration, which will simply lead to more grief, more poverty and more discontent throughout the European Union.

Lord Strathclyde: I take no view on what the eurozone should do. I accept that it is at a crossroads and there are two different views as to what could and should happen next. The House should be in no doubt that, whatever path is chosen, the Government are prepared to do whatever is necessary to protect this country and to secure our economy and financial system.

Lord Soley: On the problems in the eurozone, can the Leader of the House tell us what the Prime Minister was really thinking when he said that he would protect Britain's interest? He went on to do what I can remember no other Prime Minister doing, which was to attack our major allies in Europe by lecturing and hectoring them and using phrases like,

"kicking the can down the road",

which is more reminiscent of a debate in a university than it is of true statesmanship. Right now we need statesmanship.

Lord Strathclyde: My Lords, I do not follow that at all. There is no sense of my right honourable friend the Prime Minister lecturing those in the eurozone, although he might well be tempted to do so given that the United Kingdom economy, with our independent bank and independent currency, has been better able to weather the storm.

Lord Eden of Winton: My Lords, in one of his answers the Leader of the House seemed to give hope that the attitude of Pakistan is becoming altogether more positive. Can he give any further information about that, as it would be helpful to our efforts in Afghanistan if that were the case? Secondly, was any consideration given to the need to preserve the independence and integrity of the Lebanon?

Lord Strathclyde: My Lords, I cannot confirm that there was a discussion on Lebanon itself but there certainly was a discussion about Syria, which is not far away. I do not wish to be flippant, even though that may have sounded so. What happens in Syria is integral to what is happening in Lebanon. The G8 called on President Assad to follow the Annan proposals, which he has conspicuously failed to do until now.

On Pakistan, it is a fervent wish of anybody who has studied this subject that relations between the United States, the rest of NATO and Pakistan should be better than they currently are. It is crucial to recover the supply routes and ground lines. A lot of work is ongoing at the moment. The negative aspect is that a final agreement was not reached over the past few days. More positively, there is a great deal of hope that one will be reached in the weeks and months ahead.

Lord Craig of Radley: My Lords, before he was elected, the President of France talked about withdrawing French troops from Afghanistan earlier than previously intended. Following the NATO meeting, are the Government satisfied that this earlier rush for the door—if I may call it that—that was being threatened by France and other countries will not now take place?

Lord Strathclyde: My Lords, I thank the noble and gallant Lord for his question about France. It is true that the French President has called for the drawdown of French combat troops by the end of this year, and that is to happen. However, the Government and the rest of NATO are entirely confident that we can make up the shortfall and that there will be no detriment to the mission.

Lord Higgins: My Lords, if the Prime Minister is to protect Britain's interests in the eurozone crisis, is it not essential that he should express a view on the situation, particularly with regard to the need for adequate contingency plans? Should the summit not have recognised that Greece has both a debt crisis and an exchange rate crisis? However much one delays and prays for time by bailing out to solve the debt crisis, it does not solve the exchange rate crisis. That is absolutely essential if we are to find a long-term solution, since it is clearly inconceivable that Greece will become competitive at the present exchange rate. Therefore, should we not be unashamed to express views on this issue, even though we may at times seem critical of what happened at the summit, to ensure that proper contingency plans are made?

Lord Strathclyde: My Lords, whatever happens, the UK Government are going ahead with their contingency plans to deal with the full horizon of eventualities. However, what my noble friend said is in direct contrast to what the noble Lord, Lord Soley, just said. I lean rather more towards my noble friend Lord Higgins. Decisiveness and strong action by all Governments are required, whether that is strong action to deal with the deficit or dealing with the banks to calm the markets. Greece faces an extraordinary crisis, which is shared by rest of the eurozone countries. It is important that there should be clarity so that, as my right honourable friend the Prime Minister has said, we do not allow the can to be kicked further down the road with an inconclusive outcome.

European Union (Approval of Treaty Amendment Decision) Bill [HL]

Second Reading

4.19 pm

Moved By Lord Howell of Guildford

That the Bill be read a second time.

The Minister of State, Foreign and Commonwealth Office (Lord Howell of Guildford): My Lords, in bringing this Bill before the House, I am very much aware that I do so at a time when the spotlight is on the eurozone. As the Prime Minister said last week, it is vital for Britain's interests that the eurozone resolves its problems. I do not underestimate those problems. On Monday, a number of noble Lords gave their very expert views on the broader issues during the debate on the report of the European Union Committee on the euro area crisis. It was a very interesting debate.

[LORD HOWELL OF GUILDFORD]

However, this Bill is simple and straightforward. It provides solely for the parliamentary approval of an amendment to the Treaty on the Functioning of the European Union. The proposed amendment makes explicit the ability of eurozone countries to set up a financial assistance mechanism. In other words, it confirms that the eurozone can support fellow eurozone members in financial difficulty.

Although the United Kingdom is not in the eurozone, the treaty amendment is nevertheless important to us. The eurozone is in the process of setting up the European stability mechanism—or ESM. I apologise for these endless initials. The ESM will play an important role as eurozone countries work towards stability, which obviously we hope they will do. Eurozone stability is important for our own stability. When the Prime Minister agreed to the treaty amendment, he also secured an important commitment. The UK will not be liable through the European Union budget for any future eurozone bailouts once the European stability mechanism comes into force. In effect, that is another way of saying that the European financial stability mechanism will be closed down and there will be no further disbursements from that source.

Baroness Quin: The Minister has stressed, as have other Ministers, that we are not liable to contribute to any future bailouts. Will he none the less confirm that if we judge that it is in our economic interest to do so, as we did in the case of Ireland for example, bilateral help can be available?

Lord Howell of Guildford: There is complete freedom outside the treaties to take any decisions we want. I will come in more detail to what I have just said in reference to the EFSM, and during the afternoon we can discuss what other mechanisms of support for economies, whether in Europe or the eurozone or not, are justified, but that is the position in relation to what we are discussing today.

It is not the first time that this treaty amendment has been considered by Parliament. Before the Prime Minister signed the treaty last March, a Motion in favour of signature was passed by both Houses, with no opposition in your Lordships' House. At the time I committed to bringing the decision before Parliament again. Thus we are applying the more rigorous requirements for parliamentary control over European Union decision-making, as we committed to do in the European Union Act 2011. Parliamentary approval will enable the UK to complete its ratification process for this treaty amendment.

I recognise that 14 months is a long time in eurozone terms, so it may help your Lordships if I recap how the European Council came to decide to amend the treaty. In May 2010, in response to the first Greek crisis, two emergency instruments were established to respond to the financial crises. The first is the European financial stability facility. This is an emergency facility established intergovernmentally by euro area member states. It is used to provide loans to euro area member states in difficulty. The UK is not—I repeat, not—a member of the EFSF and has no exposure to the financial assistance provided by it.

The second is the European financial stabilisation mechanism, which I have already mentioned, which we inherited from the previous Government. Under this mechanism, the Council can agree, by qualified majority, to the Commission providing assistance using money raised on the financial markets, backed by the European Union budget. It therefore created a contingent liability for the United Kingdom, which is a very important point.

As uncertainty continued in financial markets, the European Council agreed in December 2010 to amend Article 136 of the Treaty of the Functioning of the European Union. The amendment confirms that member states of the eurozone may establish a permanent stability mechanism. This mechanism—the European stability mechanism, or ESM—which I have already mentioned, will provide a permanent means for dealing with events that pose a risk to the financial stability of the euro area as a whole.

Having gained Parliament's approval in March 2011, the Prime Minister returned to Brussels to agree to the decision at the European Council. The decision must now be ratified by all 27 members before the amendment to Article 136 can come into force. The target date for entry into force, as set out in the European Council decision, is 1 January 2013.

As I have already mentioned, the Minister for Europe and I committed to further consideration of the decision under the terms of the EU Act 2011 when it came into force. Under the provisions of Section 5 of the Act, the Foreign Secretary laid a Statement before Parliament in October 2011. He indicated that in his opinion a referendum is not required to give parliamentary approval. The proposed amendment to Article 136 applies only to member states whose currency is the euro. Consequently it does not transfer further competence or power to the European Union from the United Kingdom. The statement was open to judicial review, but in the intervening eight months no one has sought to challenge it in the courts.

To comply fully with the requirements of the EU Act, I am now presenting this Bill to the House. Should Parliament grant its approval, the Government intend to ratify the European Council decision by the end of this year.

Now I turn briefly to the European stability mechanism itself. The ESM is a stability mechanism funded by eurozone countries to provide financial assistance to eurozone countries. The intention is that it will replace both the EFSM and EFSF. It is being set up under an intergovernmental treaty that was signed on 2 February by eurozone member states. It must now be ratified by all 17 member states and is expected to come into force in July 2012.

The treaty amendment does not establish the ESM. The UK, of course, will not ratify the ESM as we have not signed up to the intergovernmental agreement, and the amendment certainly does not commit the UK to contribute to any bailout fund. However, let me make it clear what the decision does. The treaty amendment that we are asking Parliament to approve will put beyond doubt the ability of eurozone countries to set up a financial assistance mechanism. It does this by adding a third paragraph to Article 136, which states

that eurozone member states may establish a financial stability mechanism to assist other eurozone member states in financial difficulties. Article 136 applies solely to member states whose currency is the euro. Therefore, the provisions of Article 136 do not apply to the UK.

Alongside the agreement to enshrine the legal basis for the mechanism in the EU treaty, the Prime Minister secured an important agreement. Once the ESM is established, Article 122(2), on which basis the EFSM was established, should no longer be used for such purposes. Our liability for future euro area financial assistance programmes under the EU budget will be removed. This is strongly in the UK's national interest.

The intensification of the crisis has led eurozone member states to agree to bring forward the introduction of the ESM to July 2012. When they announced this decision in January, we carefully considered the implications that it would have on our handling of the treaty amendment. Would it need to be ratified sooner, and was it still needed at all? We decided to proceed as planned, as it has always been the Government's opinion that without the agreement to amend the treaty there would be no European stability mechanism. The clear message from eurozone member states is that they still need this treaty amendment.

That brings me back to the central point of why this Bill is important.

Lord Davies of Stamford: I am most grateful to the Minister for giving way. He said that it was the intention that the ESM should now enter into force next month. Indeed, we support the urgency of that, as I understand it. Therefore, why are we taking so long to ratify this? If we really support the initiative and recognise its urgency, why cannot we ratify it as soon as Parliament has approved this Bill?

Lord Wallace of Saltaire: My Lords, I do not think that it has been the usual practice of this House to interrupt Ministers in the middle of their opening speeches, when they are also winding up and when the interrupter has his chance to take part in the debate afterwards. These are questions that the Minister can answer in his wind-up speech.

Lord Howell of Guildford: As I have sought to explain, the ESM treaty is an intergovernmental affair between eurozone members, and they are going ahead with it—and they want to go ahead with it—in July. Nevertheless, the individual eurozone members have said that they would want the comfort of cover via an amendment to the European Union treaties, and we are pressing ahead with that as best we can in our own time. The two things are not ultimately dependent; it is just that the changes that we are proposing give comfort, support, reassurance and legal reassurance to the eurozone members so that they can go ahead. Therefore, those who say, “You are not doing anything to play your part in contributing to orderly developments in the eurozone”, are wrong. We are playing our part in doing so, although there are considerable benefits for the UK in making this move, which I have already outlined.

This brings me back to why this Bill is important. It represents Parliament giving a simple yes or no to amending part of the TFEU that does not actually apply to the UK at all. However, as I have made clear, by giving approval to this decision the UK avoids liability for future eurozone bailouts under the EU budget and gives the eurozone the legal clarity—this may reinforce the point I have just made—that it wants to back the European stability mechanism. We also uphold the commitment made by both the Prime Minister and the Chancellor to help the eurozone to get itself out of a crisis. Whichever way the situation goes, that must be to the advantage of us all.

If we were to refuse to agree the decision, the impact on our trading partners in the eurozone would not be positive, to put it mildly. We are under no illusion that the ESM alone will resolve the eurozone crisis, but, as the Prime Minister said last week, an effective firewall is part of the solution. It is safe to assume that markets would not view favourably any uncertainty about the eurozone's ability to establish a permanent support mechanism. That is just what would arise if we failed to ratify this decision.

As the Prime Minister, my right honourable friend the Foreign Secretary and the Chancellor have repeatedly made clear, a stable Europe is directly in the UK's interests. That must be so. We rely on the eurozone states for over 40% of our trade. London is Europe's international financial centre. Stable progress in the eurozone states is vital to stable progress in the United Kingdom.

Therefore, agreeing to this treaty amendment is in our best interests. As I have said, it means that the UK will not be exposed to any future programmes of financial assistance for the eurozone through the EU budget, specifically the European financial stability mechanism—that will be closed—and it helps our neighbours in the eurozone in their search for financial stability in the currency area. Your Lordships have already agreed that the Prime Minister could sign this treaty amendment, as he has done. I hope that we can now take the necessary steps to allow us to ratify it. I beg to move.

4.32 pm

Lord Radice: My Lords, I thank the Minister for his lucid explanation of the Bill. I certainly support the Bill as far as it goes and in so far as it confirms the eurozone member states' ability to set up the European stability mechanism. However, as our debate on Monday on the Select Committee report reminded us, much more will be required to solve the euro area crisis than this small Bill. Nevertheless, I welcome the Bill and the Second Reading debate as it affords the House another opportunity to discuss a very fast moving situation.

We debated this issue on 16 February and on 21 May. When we debated it on 16 February, it was a time of relative calm following a number of positive initiatives, including the agreement of the European stability mechanism, the fiscal compact and, above all, the European Central Bank's enhanced scheme for bank lending in the form of three-year, low-interest loans,

[LORD RADICE]

which the noble Lord, Lord Lamont, described in that debate as a game-changer. I agree with him, although I think that the scheme just bought time. If it had not occurred, the situation would have been disastrous, but it certainly bought time.

Since then, we have had the inconclusive result of the first Greek election, problems with some Spanish banks, renewed turbulence in the markets and increased borrowing costs for some periphery countries. All this has encouraged some critics, particularly political commentators in the media, not only to say, “I told you so”, but to envisage—indeed, sometimes almost to welcome—the break-up of the eurozone. They are wrong to do that. I accept that the credit crunch and the subsequent recession revealed shortcomings in the euro model. Monetary union was strong, but did not have effective fiscal co-ordination. The convergence that had been promised between the strong economies and the less strong has not occurred, or has not occurred fast enough, and the ECB is not a strong enough central bank. All the same, it is dangerous to talk about or even welcome the break-up of the eurozone.

Only the other day, Robert Chote of the Office of Budget Responsibility said about a possible Greek exit:

“The concern is that you end up with an outcome in the eurozone that creates the same sort of structural difficulties in the financial system and in the economy that we saw in the past recession”.

He added that the UK could be plunged into recession for two years, with rising unemployment and a growing debt burden. If you think longer term, and if the eurozone broke up, there would probably be a series of competitive devaluations and all the impact that that might have on living standards. You very likely would have the spread of protectionism and barriers to trade—trade that has been such a strong part of the European Union and has been so beneficial, not only to the countries of the continent but to the UK. It could lead, like in the 1930s, to the rise of extreme nationalism because it has often accompanied the growth of protectionism. A break-up of the eurozone would therefore be a grave setback and a disaster to the continent of Europe and the UK.

My position is that we need a reform of the monetary union because that could provide a framework for recovery. Speaking on Monday, the Commercial Secretary to the Treasury said in an excellent speech that three things were required: first, the resolution to the eurozone crisis and the uncertainty about Greece; secondly, ring-fencing other vulnerable euro member states; and, thirdly, recapitalising European banks. He could, and perhaps should, have added the need to achieve a balance between, on the one hand, austerity and cutting deficits, and, on the other, growth. That is clearly a major problem, and is the issue being stressed by the director-general of the IMF, Christine Lagarde. Mario Monti, the Prime Minister of Italy, has also made that clear, and we now have President Francois Hollande, who was recently elected on a growth ticket.

Tonight, European leaders meet for an informal summit which the new French president will attend. We are told that they are likely to discuss a number of

issues, including the idea of common Eurobonds, which, if introduced, would reduce borrowing costs for vulnerable states. That idea is, of course, opposed by Germany, precisely because it would raise German borrowing costs. There is also the idea of boosting the European stability mechanism, which we are debating, by borrowing from the ECB. That would be a game-changer and is something that I hope is pursued.

There are three other issues concerned directly with growth: first, European project bonds to raise money for infrastructure funds; secondly, extra funds from the European Investment Bank; and, thirdly, speeding up the application of European development funds. Those three measures are all very useful, but represent quite a small aid to growth. The most important assistance to growth in the eurozone in the near future would be continued expansion of the German economy, which grew over the past two years by 2% per annum, and in the past quarter by 0.5%. On this point, I think that the support of the German Finance Minister for an increase in wages for German workers—and it is fairly extraordinary for that to happen—is welcome news. Growth in German domestic demand would not only help Germany but suck in goods from other European countries, including the UK, to the benefit of their economies. I think we can all agree—although I may not carry the noble Lord, Lord Forsyth, with me—that it is essential that within the next few weeks European leaders come up, first, with a credible rescue plan and then with a longer-term growth plan to revive the euro area.

In conclusion—I am aware that a number of noble Lords want to speak—what about the UK, Europe’s third-largest economy? What is our role? Of course, as the Government are always quick to point out, and as the Minister rightly pointed out, we are not in the eurozone and therefore, the argument runs, it is up to its members to sort out their own mess. That would be fine if more than 40% of our trade were not with the eurozone. What happens in the eurozone is extremely important to us, as both the Prime Minister and the Governor of the Bank of England have made clear. Indeed, they have used it as an excuse—although that word is perhaps unfair—for the fact that we do not have growth in our own economy.

A noble Lord: It is an excuse.

Lord Radice: All right, if the noble Lord insists. As I said, what happens in the eurozone has a major impact on our economy and therefore it is very much in the UK’s interest for the eurozone to secure financial stability.

So what has Britain—this important power with the third-largest economy—done? Last December, we opted out of the fiscal pact. We all said what we thought about that in the February debate and I shall not go over it again, but it hardly made us more influential in the debate. Otherwise, we have confined ourselves to offering advice—too often, I am afraid to say, in quite strident and slightly contemptuous tones. The trouble is that, whatever we say, nobody in the eurozone appears to be listening. I happened to be in France the day after the election of President Hollande

and he set out all the things that he was going to do, such as going to Germany, meeting the European leaders, going to the United States to meet President Obama and so on, and there was not one mention of the United Kingdom. I thought, “Good heavens. We’ve come to the point where we’re not even mentioned in relation to the euro”. It is not that they are saying nasty things about us; it is just that we are not in the game at all. That is a great pity because I think that sometimes our advice has been very sensible and ought to have been heard but has not been.

The question is: what do we do to increase our influence? My answer is that we have to try to sound as though we want to help, although quite often we do not sound like that. I have two practical suggestions, for what they are worth. In the debate last Monday, noble Lords remarked that the Prime Minister argues for growth on the continent while preaching the virtues of austerity at home. As Christine Lagarde said yesterday, we ourselves need to do more to boost our economy. She may say that she shivered but she then went on to say all sorts of things that she thought the Chancellor ought to be, but is not, doing.

First, if our economy started to grow, not only would this be good news for us but it would also be good news for the whole eurozone, because we are, after all, the third-largest economy. Secondly, instead of standing entirely aloof from the European stability mechanism and indeed boasting about it, which is keeping the Eurosceptic wing of the Tory party happy, I think that there is a case for a purely voluntary financial contribution from the UK as a symbol of our solidarity with our European partners when they are in difficulties. We are a member of the European Union and are affected by what happens. We could show some sympathy but we do not. If we made more of a contribution, we might find ourselves becoming more influential. In this eurozone crisis, which affects not only the member states but the interests of the UK, we are no more than bystanders—we have no real role. If we are prepared to make some positive moves—I do not know exactly what, but I have suggested some—we might play a more active role which I believe would be good not only for Britain but for Europe.

4.46 pm

Baroness Falkner of Margravine: My Lords, it is a pleasure in this Second Reading debate to follow the noble Lord, Lord Radice, whose expertise and passion about the European Union remains undiminished. I agree with a lot of what he said; I particularly agree with his comments regarding Germany’s need to incorporate and use its fiscal levers to bring about a greater boost to growth within Germany. I am glad to see in that context that the noble Lord, Lord Sassoon, is in his place, and I hope that he will recall that I exhorted him to do precisely that last Thursday. Of course, in the intervening period the Prime Minister has come out saying many of those things himself, so it is a very good move. We are not preaching to the Germans; we are exhorting them to do what I think has considerable support in Germany itself, as the noble Lord, Lord Radice, mentioned, in terms of the Finance Minister.

I shall keep my remarks on the Bill very brief. With the informal European Union summit ahead of us tonight and the eurozone crisis continuing to unfold, there is little to be said about the Bill before us. It rightly allows for the eurozone countries to move forward to establish a permanent facility for those states that are in the eurozone. One could almost say that it has little to do with the UK, but also that it has everything to do with the UK. It is clearly and essentially in the United Kingdom’s national interest to have the European stability mechanism established as soon as possible, to enable the eurozone sovereign debt crisis to be dealt with through the creation of a permanent mechanism. We may quibble about whether the extent of capitalisation is sufficient—at 5% of eurozone GDP it would appear not, but it is certainly a step in the right direction. It also creates the possibility that should further capitalisation be required, other methods of raising finance, such as eurobonds if politically acceptable to those countries—it is only about those countries in the eurozone—could be an option.

Let me come to the politics of the Bill here. Anyone who believes that there is some easy fix to the eurozone crisis through letting Greece default is mistaken. While our banking sector may not be significantly exposed to Greek banks which might fail, it is undoubtedly exposed to French, Spanish, and Italian banks which might be affected by their own exposures to Greek debt and the contagion effect thereon. We have, in effect, a banking sector that is still extremely fragile some four years after the financial crisis of 2008. However, it is not only the banking sector that would be affected. Half our trade is with the eurozone and a further 10% within the European Union as a whole. The eurozone’s GDP is projected to be in deficit in 2012—marginally so, to the tune of 0.1%, but nevertheless, the drag caused by fiscal consolidation or austerity measures is very palpable.

Unemployment is predicted to rise to 11% but it is significantly higher especially among the young—all factors that impact on domestic consumption within those countries. It is British business which will take a hit as the southern countries slide deeper into recession; it is young British workers who will face stiffer competition from well educated European nationals who will come here to seek work in the northern countries; and it is the British consumers who will face a drop in confidence as those in countries around them are deeply affected by the crisis. As a trading nation dependent on a large service industry, we cannot insulate ourselves from our neighbours in the European Union.

The Bill is a first step to stabilising the crisis, but the European stability mechanism must be accompanied by a pro-growth strategy through faster adjustment. If this results in greater fiscal and political integration, we should accept that that is the right way forward for those countries that have chosen to be in the eurozone. Thankfully, we are not in that position, but that does not mean that we do not have to engage with the developments as they inevitably happen. It will be a rocky path to get to a resolution of the crisis, but for now we on these Benches welcome this enabling measure.

4.51 pm

Lord Williamson of Horton: My Lords, as is always my practice when I see “European Union” on the Order Paper, I declare my interest. I spent the greater part of my career in United Kingdom public service on European affairs, and a smaller part of my career in the European Commission, and I have pensions from my work.

Before coming briefly to the purpose of the Bill—namely, the approval of an EU decision to amend Article 136 of the Treaty on the Functioning of the European Union, which applies only to member states whose currency is the euro—I will stress that the decision of the member states of the euro area to replace the two temporary decisions taken to confront the sovereign debt crisis with a permanent European stability mechanism is a good one. Strangely, the text of the decision does not appear in the Bill. However, indefatigable readers of government documents—of whom I am one—will find it in paragraph 7 of the Explanatory Notes, which carries the exact text of the decision about which we are talking.

The mechanism is extremely important and has been widely discussed. However, it will not be sufficient to recreate a stable situation in the euro area, as we can see not only from the situation of Greece but from the sovereign bond markets and, most recently, from the new and correct pressure for a growth pact or specific measures directed to growth. The emphasis on growth is right. However, to avoid overdosing the euro with tales of woe it is perhaps worth recalling that in 2011, 12 member states in the euro area had a growth rate equal to or higher than that of the UK, and that the eurozone grew twice as fast as the UK.

Now the situation is serious. The noble Lord, Lord Giddens, used the same phrase in two debates. He said that we were on the edge of a precipice. It was an important reminder, but of course we do not have to fall over a precipice when we are on the edge. That is what we and the euro area must think more about. We must see whether the existence, in some form or within very strict rules, of a lender of last resort, which understandably is ruled out by Germany at present, will ultimately be possible. That might be bolstered by measures such as the project bonds, which are a good idea.

We discussed these matters a number of times. We discussed them in relation to the gracious Speech, and recently in relation to the European Union Committee report. We are now discussing them again, and the Government are replying through three Ministers: the noble Lords, Lord Sassoon and Lord Astor of Hever, and the noble Lord who is replying today. Therefore, we have made a small contribution to joined-up government.

I turn now to the Bill. In a recent debate the noble Lord, Lord Phillips of Sudbury, reminded us that we put on the statute book 12,000 to 15,000 pages of law per year, while removing only 2,000 to 3,000 pages. It is therefore a real pleasure to have before us today a commendably short Bill of two clauses totalling 164 words, which makes it a great deal easier to deal with. I find it quite easy to deal with the Bill.

The European Union Act which was passed in the previous Session established the important requirement that any transfer of powers or competencies to the European Union would require a referendum of the British people, but a small number of tightly defined exceptions were included in the Act. One was the approval of the accession of a new member state. That does not apply to this Bill but later, according to the gracious Speech, we expect to be asked to approve the accession of Croatia. What does apply to this Bill is that where a decision does not apply to the United Kingdom, its approval can be confirmed by the Minister and no referendum is required.

The proposed amendment of Article 136 of the Treaty on the Functioning of the European Union with regard to the stability mechanism for member states whose currency is the euro clearly meets this criterion as we are, happily, not in the euro. The Bill complies exactly with Section 4(4)(b) of the European Union Act which we passed in the previous Session. For all those reasons, I can agree to the Bill.

4.56 pm

The Lord Bishop of Guildford: My Lords, I am very appreciative of the Minister’s introduction to this debate. For your Lordships’ pleasure, I hope, I think that I can assure you that I will be mercifully brief, because last Thursday I spoke to the treaty amendment Bill in relation to the gracious Speech.

I speak in strong support of the Bill. Although it will entail no automatic bailout from the United Kingdom in relation to the euro crisis, we cannot be—and indeed we are not—indifferent to it. We are implicated in it, as a number of speakers have already said, including the noble Lord, Lord Radice. It gives the euro states a kind of release mechanism to enable them to implement a desperately needed, effective mechanism for economic stability.

I speak as one of the co-presidents of the European Council of Churches. I find myself in regular discussions with a counterpart in Germany who rejoices in the wonderful title of Oberkirchenrätin—note the feminine German ending—and also with a Greek Orthodox Metropolitan who lives in Paris and looks after the Orthodox community in France. The German, Greek and British church leaders meeting in France are neither unaware of nor indifferent to the financial turbulence and instability throughout the continent of Europe and its personal human consequences. The last time we met I heard of the soup kitchens being established by the Greek Orthodox Church in Athens, to which thousands of people come daily.

This is a technical Bill but behind it are human faces. We think of Greece but, if we go over the precipice, we might have to think of Spain or Italy and, indeed, ourselves. So I strongly support the Bill. I repeat what I said on Thursday. We are involved in the rest of Europe not only economically but, of course, geographically; and we are certainly involved culturally and in terms of religion and faith communities as well.

I crave the indulgence of the House and the Minister because I may need to leave before the end of the debate as I am due to institute a new woman priest in Normandy. As the Minister will know, Normandy is just north of the Hog’s Back in Surrey.

5 pm

Lord Lamont of Lerwick: My Lords, this is our second debate in three days on the eurozone, but that is hardly disproportionate considering the huge potential threat of the crisis in the eurozone to the world economy. The measure before us is already well known and publicised and, indeed, is already priced into the markets, so anyone who thinks that what is being debated today will make a crucial difference to the eurozone crisis is under an illusion. It may be a necessary first step, but it is already priced into the markets.

The Minister gave a clear and lucid explanation of the Bill, and suggested that we should welcome the new permanent bailout mechanism not just for economic reasons, but because it replaces the EFSM, the first bailout mechanism, to which Britain had to contribute. I hope he will forgive me if I probe this argument a little further to find out how completely copper-bottomed it is. In practical terms, the new mechanism makes the EFSM obsolete; if you have the ESM, you do not need the EFSM. But as far as I can see, there is no legal assurance or guarantee that the EFSM has actually been abolished. The document, 407/2010, which is the instrument that set up the EFSM, is not repealed. There is no amendment in this treaty amendment to Article 122 under which the EFSM was set up. The treaty amendment does not say, as one might have expected, that there should not be financial assistance to countries that have over-spent or over-borrowed under Article 122, the original provision that obliged Britain to contribute. If this seems a little suspicious, paranoid or swivel-eyed to the Minister, perhaps he will forgive me simply because the use of Article 122 to set up the temporary bailout mechanism was, in many people's opinion—including that of Madame Lagarde—an illegal use of it. The Government have always been coy about its legality, but given that she said that, we are entitled to be sceptical and to ask for further assurances.

Perhaps I may remind the Minister that the Council decision under Article 136 which set up the ESM says that member states whose economies are not in the eurozone “may decide to participate”. There is a little bit of daylight there but it is far from clear that we will definitely not be involved in this. I might also mention that there are other bailout provisions in the treaties which apply to non-eurozone countries. Articles 352 and 143 provide for bailouts to non-eurozone countries. They cover us, we have no opt-out and, of course, decisions are made by qualified majority vote.

I should like to ask the Minister one or two questions about the ESM itself. First, according to a document dating from 2011 on the European Central Bank website, the ESM could be used to buy sovereign bonds on the primary markets. I imagine that that is not now correct and that it has been overtaken. However, I should be grateful for the Minister's assurance on that point. Secondly, again according to the ECB website, the debt of the ESM will be classified as the debt of EU institutions. It will not be classified as government debt and will not count as government borrowing, even though the ESM is going to issue securities and borrow from the markets, and even

though those bonds are themselves guaranteed by the Governments of the eurozone. Can the Minister confirm that that is the case?

Thirdly, how confident is the Minister that the ESM will be able to maintain an AAA rating? The intention is to issue securities that are AAA rated, but because of recent downgrades, the ESM is now backed by only one large economy that has a universal AAA rating. This idea that a lot of Governments that have sub-AAA ratings can have their securities all wrapped up together and that those can then be described as AAA securities has a rather uncomfortable similarity to certain things that happened in 2007 and 2008, through the CDOs that led directly to the financial crisis.

Fourthly, perhaps I may ask the Minister about the capital of the ESM. According to the ECB website, this is put initially at €80 billion, rising to a callable amount of €620 billion. Again, this capital is being provided by countries in proportion to their GDP and populations. That presumably is something like 18% for Italy and 12% for Spain. But can Italy actually afford to make its contribution? Will the contribution be made in cash or in terms of guarantees? The whole mechanism seems rather like a lot of not very sound economies getting together to try to guarantee their own finances. Of course, at some future date Italy might very easily be in a position where it could not meet the capital requirement that was asked of it.

I have one or two comments to make about the current situation in the eurozone. I listened very carefully to the noble Lord, Lord Radice, who always speaks very eloquently and with a wealth of experience. He made the slightly familiar point that we were not being listened to—that was an implied criticism—and that we had lost influence. Perhaps listening is not the strong point of the eurozone Governments. They were not exactly prepared to listen when they were warned in the first place that this was an unworkable system that would lead to great financial problems. The noble Lord suggested that we must be constructive, get in there and be more influential. I am afraid that is a policy that has been tried and has failed many times before. I see no point in participating in, or at least reinforcing, a wrong policy merely in the interests of some chimera called influence.

Lord Clinton-Davis: What conclusion is the noble Lord coming to? Should we withdraw entirely from the euro?

Lord Lamont of Lerwick: Well, we are not in the euro, so that is not a point that leaves me in great difficulty.

The euro has been a disastrous experiment. It has brought nothing but grief and problems. What has been the achievement of the euro? What have been its consequences? Twenty-one neo-fascists in the Greek Parliament is one consequence. The system that was promoted in order to produce harmony has produced nothing but acrimony and xenophobia. The European Union used to boast that its great achievement was to underpin democracy in post-dictatorship countries such as Portugal, Spain and Greece, yet we have seen the political life of Greece being torn up by the demands being made of it by the eurozone.

[LORD LAMONT OF LERWICK]

The main force that is keeping the monetary union together is simply the fear of the consequences of it falling apart. As well as looking at the costs and dangers of it breaking up, it is only rational also to look at the costs of keeping it together, because they can continue to mount, even to the point of threatening the stability of the German economy. Germany has contributed something like €200 billion so far to shoring up the euro. It may find that it has to do more and more of this as the years go by.

The Bundesbank is now worried about what are called the TARGET2 balances. These are the claims that the Bundesbank has on the central banks of the peripheral countries, because the central banks have had to step in to fill the gap where the interbank, international, commercial market has withdrawn. The claims on the Bundesbank's balance sheet in respect of the peripheral countries now come to something in excess of €500 billion, which is causing a lot of anxiety in Germany.

It seems clear that if Greece leaves the euro—whatever we think about that, there seems to be a distinct stench of inevitability about it—a €500 billion firewall is not going to be sufficient to stop contagion. It may be enough to deal with one country but will not be enough to deal with several. I noticed—and the noble Lord, Lord Radice, picked up on it—that Finance Ministers, including Mr Schauble, have been saying that Greece's departure might be difficult but not fatal. We must hope that they are right but it would not be the first time if they are proved wrong.

I certainly feel a degree of sympathy with Spain and the situation it finds itself in. Spain ran a perfectly responsible policy before the crisis and actually spends, as a proportion of GDP, somewhat less than we do as a country. The historic yield it pays on its debt is something like 3.6%, but today in the markets it is having to pay something like 6%. Spain cannot remain solvent if interest rates remain at these levels, as they are likely to do for some time to come. I say “likely to” because it seems very probable that the rates on sovereign debt will never return, in the near future, to the level they were at before the crisis began.

At the moment, we have a complete stand-off between Greece and Germany. Greece is, I think, overplaying its hand by threatening to bring the whole pack of cards tumbling down. At the same time, German public opinion is, I believe, hardening. Mr Hollande, for all that was said, will find this very difficult to move, as German public opinion is extremely resistant to further bailouts. The one thing that some people think could be done to ease the situation—the noble Lord, Lord Radice, referred to this—would be if Germany had higher inflation. To my astonishment, Mr Schauble referred to this. It may be the one thing that would help the eurozone but the one thing that would turn German public opinion absolutely against the euro is if it had to put up with inflation of 4% or 5%. That would be anathema to the German people. For all Mr Schauble said, I do not believe that is the course that Germany is going to follow.

The question is: which will blink first—Germany or Greece? My guess is that neither is going to blink, and therefore we will have a chaotic, unplanned exit from the euro. Greece and its politicians say they do not want to leave the euro, but clearly they need a third bailout and are very likely to default again. Greece may not want to leave, but what it is demanding is not on the table and is not available. If the second election produces the same result as the first, the eurozone has to grasp the nettle and show the door to Greece.

The truth about this mess and this situation we are in is that every option is unpalatable. Breaking up the euro carries dangers, while soldiering on risks the danger of hugely escalating costs. However, the worst option of all is the third one, which is that the crisis has no end and we have this sapping away of confidence. People talk about the need for a growth package, but growth depends above all on confidence, and as long as this crisis goes on, we will not get confidence and we will not get growth. It is time that the eurozone made some hard choices. Winston Churchill once said, “We have to face reality or reality will face us”. It is time for the eurozone to decide to face reality, however hard that may be.

5.15 pm

Lord Giddens: My Lords, it is an honour to follow the noble Lord, Lord Lamont. I am not sure how much I agree with the main body of his speech but I certainly agree with what he said at the beginning. This is a crisis of gigantic proportions. Enough of precipices, I would say, but this is the greatest social and economic crisis we have lived through and it is unfolding against the backdrop of a world economic recession which is still far from unresolved. As I argued in a speech that I gave a couple of days ago, this adds to the difficulties we are confronting in Europe, which do not simply come from within Europe itself.

I support this Bill, but, I have to say, perforce. That is because this one-page scrap of green paper is Britain's, and especially the Government's, ambivalence towards the European Union made manifest. I argue that it represents a position that is now disintegrating and for which there is no long-term future. I would like to sketch in the reasons why.

In a document that the Government sent round after the report that we debated on the euro crisis, they say:

“The decision not to be part of the Fiscal Treaty does not reduce our influence and has not damaged our reputation in Europe”.

That statement is absurd. The noble Lord, Lord Lamont, seemed to say that it does not matter who listens to you. It surely does because if people stop listening to you, you have no influence in the circles that you want to influence.

Lord Radice: To act as the mouthpiece of the noble Lord, Lord Lamont, as I understood it in his criticism of me, he does not think that influence is important.

Lord Giddens: That is what I was saying. Influence is very important because if you do not have it, how are you going to affect the course of developments in

Europe? I have been around Europe talking to a range of European figures recently, as my noble friend has been as well, and it is true that virtually nobody listens to what the Prime Minister says. This is important. Britain is now marginal in Europe because we lecture Europe from the sidelines, and I have heard so much of that in the debates over the past few days. The Prime Minister wants what all other European leaders want: the stabilising of the eurozone. Yet he will have no influence over that process.

One can say that the EU is at a crossroads—except that, as has been observed, the EU is always at a crossroads. This time, however, the forks of the crossroad are far further apart than ever before. On the one side, there is the possibility of the disintegration of the eurozone. Having looked at the scenarios in detail, I cannot see any which would not be catastrophic if this course were followed. Some have argued for what has been called a velvet divorce, whereby the eurozone could be progressively uncoupled. However, as in real life, there are very few velvet divorces and I could not see a scenario in which that could be achieved. Whatever one thinks of the eurozone—I have certainly had mixed feelings about the euro from the beginning—its disintegration would be catastrophic for Europe as a whole, and certainly for the UK as well.

There is only one other path. I think the path that Europe will certainly try to follow is a move towards federalism, and in a fairly strong sense of that term. Fiscal union is being forced on the eurozone, more or less, by the markets but it would have to go along with the ECB becoming a lender of last resort. We have a good understanding of the financial apparatus that it would presume, although we do not know whether there is enough money around to back it. These moves in turn would have to be accompanied by greater political co-ordination.

From these there follows the need for a process of democratisation and a reshaping of the institutions and procedures of the EU. Therefore, in thinking of the future of the EU and in charting, as I have been doing over the past three months, the enormous number of debates going on outside this country in the member states of the European Union, we are not talking about evolution. We are talking about a sort of revolution. We are talking about the end of the Monnet method of slow accumulation. We are talking about big transitions over a short period towards a more integrated eurozone that would, in the end, drag in most of the rest of the European Union. Jörg Asmussen, who is a German board member at the ECB and, incidentally, someone who has had a lot of influence over Angela Merkel, yesterday called for just such a programme. I think he gave his speech in anticipation of the meeting today. He argued that eurozone members should join in a, “banking union, fiscal union and political union”.

Should the eurozone survive in a reasonably robust condition—and like the Government, I cannot see anything else that one can hope for—several other countries, such as Poland, have declared their intention to join it. At that point, British policy would surely have to change. There could be no more ambivalence, no more sitting on the fence and no more wanting the advantages of the EU without the commitments.

Should, God forbid, the EU descend into chaos, the UK will be affected just as much as any country that has formally signed up to the euro. If a more federal Europe emerges, and I think that is the most likely outcome, Britain will no longer have the option of semi-detached membership. I think this also applies to the single market. I do not think that the idea that Britain can concentrate on the single market when the rest of Europe has moved to a much more tightly co-ordinated economy can work.

At that point, a momentous decision will have to be made: in or out. In my contribution to the debate on the Queen’s Speech I argued that at such a point there should be a referendum. I think this is the first time ever that there have been voices from all three major parties arguing for the desirability of a referendum. We would have to have a referendum if Europe has moved down a federal path and become a different entity far away from the position it was in when the UK entered it.

If a referendum is held, the results might surprise some of our more vociferous political commentators. I quote from a recent, very interesting study that I commend to anyone interested in opinion in Europe. It is by Michael Bruter and Sarah Harrison and is called *How European Do You Feel?* but it goes well beyond that. It is the largest study ever carried out across the 27 EU member countries about attitudes towards the European Union, reform and the future. The reason it is so important is that its methodology is far more sophisticated than the surveys that you read in the press from day to day. If you read the results of surveys in the papers of what people think of the European Union, they are sometimes based on a sample of only 200 or 300 people. They do not give you an in-depth understanding. This study uses a range of sophisticated techniques and goes up to 2012. I think noble Lords will agree that the results are quite counterintuitive. They show that European identity is strong across all 27 EU countries, with a majority in this country endorsing the statements about Europe in the study. Far from declining, in 2012, it is getting stronger. It has gone up from just under six out of 10 in their measures to over seven out of 10.

In the United Kingdom, there are some very interesting findings in the survey. Opinion is polarised, but intriguingly so. Younger people are far more positive about the European Union than the older generation. There is, the authors say, a new, younger generation of very committed Europeans in this country. In their conclusion, they say that in the UK there are,

“two publics, one fiercely non-European, and”—

this is important—

“one of the largest proportion of highly ‘Europeanised’ people in the whole of Europe”.

I would welcome the Minister’s comments on any aspects of what I have said, particularly on what plans the Government are making to respond to what is likely to be a quite different Europe from the one in which we have existed in such an ambivalent way until now.

5.26 pm

Lord Lawson of Blaby: My Lords, it is always a great pleasure to follow the noble Lord, Lord Giddens, as I have done on a number of occasions both inside and outside this House. I will refer to one of the important things he said when I reach the logical point in my own contribution. However, I do say now that he should not confuse being European with accepting everything that the European Union does—or, indeed, the existence of the European Union itself. As many noble Lords on both sides of the House know, my main home is in France. I certainly consider myself a European, but, as noble Lords will discover, I will be critical of what is being put before us today.

Lord Giddens: If the noble Lord checks the survey, he will find that it contained a whole range of questions, such as whether respondents agreed with EU policy on Schengen—and more than 90% do. It contained a whole set of questions on actual EU policies, not just on EU identity.

Lord Lawson of Blaby: If 90% of people say that they agree with some particular European convention, that is probably a lie. I doubt whether 90% of people know about any European convention.

To come back to the Bill that we are debating, a few days ago an item appeared on the Foreign Office website which read:

“Foreign Office Minister introduces EU Treaty Amendment Bill to the House of Lords ... Foreign Office Minister Lord Howell said ... ‘A stable and healthy eurozone is important for the UK’s long-term growth and prosperity. This treaty change is firmly in the UK’s national interest’”.

That is the basis for the Bill before us. I have the greatest affection for my noble friend Lord Howell. Indeed, I can hardly blame him for saying that, because it is government policy. But it is, of course, complete nonsense. It is not a stable and healthy eurozone that is important for the UK’s long-term growth and prosperity; it is a stable and healthy European economy which is important for the UK’s long-term growth and prosperity. So long as the eurozone staggers on, we will not have a healthy European economy. That is the problem that we face.

Greece has been mentioned. It has a number of special economic difficulties and also a special political difficulty. Greece is, and always has been, a “phavlocracy”. I owe this term, which is little used, to when I was editor of the *Spectator*, 45 years ago. I recruited an excellent Athens correspondent, because the colonels had just come in, and he explained that “phavlocracy”—a word the Greeks use—meant “government by corruption”. The high economic cost of that is an additional problem but we are not debating a Greek problem. This is a fundamental problem of the eurozone project. It is not the tired old argument of growth versus austerity, as if somehow you can say, “Let’s have some growth, what a good idea”. It is the particular problem of the eurozone that we need to address.

The European Monetary Union was fundamentally flawed right from the start. It was predictable and indeed it was predicted. I think I was the first Minister to point this out in a speech at Chatham House in

January 1989. I analysed the eurozone project and I concluded in these terms. It is a long quotation but it is important to put on record what I said at the time, well before the eurozone came into being. It was a few days before publication of the Delors report on which European monetary union was based, but we all knew what would be in it. As Chancellor of the Exchequer at that time, I concluded in these words:

“Nor would individual countries be able to retain responsibility for fiscal policy. With a single European monetary policy there would need to be central control over the size of budget deficits and, particularly, over their financing. New European institutions would be required, to determine overall Community fiscal policy and agree the distribution of deficits between individual Member States.

The setting up of a European Central Bank or a new European institution to determine Community fiscal policies go to the very heart of nationhood. What organisation would really be the government? It is clear that Economic and Monetary Union implies nothing less than European Government—albeit a federal one—and political union: the United States of Europe. That is simply not on the agenda now, nor will it be for the foreseeable future”.

That is what I said as Chancellor of the Exchequer in January 1989. I elaborated on a number of further occasions, both in speeches and in articles, during the interim period until 1999 when it came into being. Then I gave up. I was seeking to persuade our European friends and partners not to make the huge mistake of going down this hugely damaging route. Once they had done it, I had failed and I gave up.

I was not the only one. My friend Hans Tietmeyer, when he was president of the Bundesbank in 1996, in the more measured terms that central bank governors are inclined to speak, said:

“Monetary union means a restriction on national sovereignty, on national manoeuvring room and the ability to go it alone. Participants lose the instrument of exchange rate adjustment ... In a monetary union, countries have to tackle and solve their economic problems and challenges in a similar way and with similar speed. If the countries decide fundamentally different answers, then great problems will arise”.

He could say that again.

So why did this happen when everybody who was informed knew that this was fundamentally flawed? It happened because this was not economic at all; it was entirely political. There were of course some innocent worshippers at the church of Europe who believed that anything that was more Europe must ipso facto be a good thing. But most of the promoters were more sophisticated. Their objective, and they were clear about it, was full-blooded political union—a United States of Europe. That was the view of Jacques Delors and most of those who supported him. They thought that since monetary union and political union have to go together, if you want political union then you have the monetary union and it will inevitably lead to the political union which is the objective. That is a fundamental misreading of history; it is the wrong way around.

The example of Germany in the 19th century is interesting. German unification came in three stages. First, there was the Zollverein, the customs union. Then Bismarck and Prussia forged a political union from blood and iron. It was only after they had political union that they had monetary union. That was the sequence. Doing it the other way around simply does not work.

One reason why you must have political union is that, as we all know, there must be transfers from the German taxpayers to the poor Greeks or whoever. However, you cannot make that work—nor does it have credibility—if it is on a sporadic and discretionary basis. You must have a single system of taxation, as there is in any currency union, such as the United Kingdom, which takes more money from the wealthier sections of the economy; and a single system of spending so that there is more spending on, say, social security in the poorer parts of the economy. The transfers become automatic and there is no discretion.

You must also have control of deficits. This simply means that you must have a single Finance Minister at the head of a single finance ministry in a single Government. That is the only way that it can work. Even then, it would, in my judgment, be economically harmful to the European Union. To use the economists' jargon, which the noble Lord, Lord Giddens, enjoys so much, it would be suboptimal.

There is a great literature about what is known as an optimum currency area. No one quite knows what an optimum currency area is. We all know that you do not get individual cities with their own currency but, equally, you do not have a world currency. That is too big and the first is too small. Where is it right? I think all economists would agree, as would the noble Lord, Lord Giddens—even though he is not an economist, he follows these things—that an area as big as the European Union, with its great size and diversity, is not an optimum currency area. In particular, to help the transfers and so on to work you need wage flexibility, which the United States has but Europe does not. Indeed, it is anathema to the European social model, which is opposed to wage flexibility.

Above all, you need labour mobility. That is what happens in the United States. If one area is not doing too well, people move to another area. However, what do you have in Europe? For cultural and linguistic reasons, when there is 25% unemployment in Spain—indeed, 50% youth unemployment—but little more than 5% in Germany, the Spanish do not move to Germany. They riot in Madrid and call on their Government to do something to help them.

Lord Davies of Stamford: Is the noble Lord aware of Mundell, the author of the seminal article that defined the concept of the optimum currency area? Indeed, he invented it. That article produced the key criteria that define an optimum currency area and an equation that became part of standard theory and won a Nobel prize for Mundell. Is the noble Lord aware that Mundell is on the record as saying that he regarded the eurozone as meeting the criteria for an optimum currency area?

Lord Lawson of Blaby: Yes, I am aware of that. I am also aware that he subsequently changed his mind on that point.

Those who promoted European monetary union were guilty of great arrogance and unbelievable irresponsibility. They were arrogant because the only way to have political union was with the consent of the peoples of Europe. The people of this country, the people of

France, where I live nowadays, and the people of most, if not all, of the countries of Europe—Luxembourg may be an exception—do not wish to give up national self-government. They do not want to be part of a full-blown European political union. It is a sad thing but I am afraid that for all its, no doubt, high-minded motives, the European movement has been marked by the most appalling contempt for democracy throughout the years that I can remember. The irresponsibility is that political leaders must have known that if this gamble did not come off and they were not able to achieve the political union, the disaster which we see all around us was bound to ensue. That seems to me to be the most irresponsible thing that political leaders could ever have done.

What now? In my judgment, the least bad course—I say “least bad” rather than best because I accept that it is not good—is the orderly dissolution of the eurozone, which will begin with the departure of Greece in only a matter of time, and it will not be a long time. This dissolution is already happening before our eyes, even if the politicians do not accept it. Holders of euro deposits in Greek banks are taking them out at a rate of knots and they will do so increasingly. After that, I am afraid that the same thing will happen as regards euro deposits in the banks of other countries considered to be likely candidates for withdrawal—whether it be the Spanish or Portuguese banks, or wherever.

I agree that the dissolution of the eurozone will be far from painless. There will be a whole lot more sovereign defaults. We have already had getting on for an 80% write down of Greek government debt. That will be bigger. There will be other sovereign defaults. There will be banks in difficulty.

Lord Wallace of Saltaire: My Lords—

Lord Lawson of Blaby: I will come to a conclusion soon. There will be banks which may have to be saved. But we have handled something like this before. It may not have been on this scale but it was quite substantial. The first international economic issue I had to grapple with as Chancellor of the Exchequer in the mid-1980s was the Latin American sovereign debt crisis, which had many factors in common with this and the IMF played an important part.

In conclusion, there is a heavy cost in the course that I am suggesting but the EMU is a Doomsday machine. If the question is, “How do we keep it going?”, that beggars belief. We have got to get on with it. I do not believe that this will happen, but if there is a serious move to a political union, we can no longer be part of the European Union. That is not the form of European Union which the people of this country are prepared to accept, or, I believe, one which the politicians will accept. It is a very serious matter. The noble Lord, Lord Owen, referred to this in a very thoughtful contribution in the Queen's Speech debate. He said that in those circumstances, we would have to leave the European Union, although with a referendum first. I do not believe that we will go to a political union. Therefore, the conclusion is that the European monetary union is doomed and the treaty change we are discussing today is supremely irrelevant.

5.43 pm

Lord Empey: My Lords, the nature of the debate today has drawn to our attention the great significance and importance of the issues we are discussing. While the Bill's Second Reading was never going to be confined to the minutiae of the legislation, it was always going to be a platform for discussion on the wider issues, and so it has turned out.

Never in my lifetime have I heard so many people express real fear and concern as I have with the turn of events in the euro area. People are genuinely afraid—as we have seen particularly in Greece, but in other countries as well—that the resources which they have built up over years will be taken away. As I understand it, that was exactly the circumstances that pertained in pre-Nazi Germany when people saw their lifetime's effort dissolve before their eyes as they had to wheel their savings to the bus in suitcases and handcarts simply to pay the fare. If this is so fanciful, how is it that we have 21 Nazis elected to the Greek Parliament? These people are not disguising what they are. The very badges that they wear, their symbols, although not the same colour as that used by the National Socialists in Germany, are basically the same thing. They are unashamed. These people are succeeding in a nation that was occupied by the Germans in the Second World War. So if alarm bells are not sounding somewhere in those circumstances, when will they?

On many previous occasions we could convincingly say that it was nothing to do with us. We cannot say that today. Whatever happens in euroland will impact directly on every household in this country. Nobody will escape if the financial situation deteriorates in the eurozone. Our exporters will be hurt. Perhaps above all, there is a feeling of lingering doubt about the real state of many financial institutions on mainland Europe.

I understand the rationale for the Bill, given the events of May 2010 and the creation of the EFSM. It seeks to limit our national liabilities should the political understandings about its further use not be honoured. However, few of us believe that it is as simple as that. Whether through the front door, which is now the ESM, or the back door, whether that be the IMF or the ECB, the search for a change in the status quo will continue to elude Europe. Sticking plaster will not work; there is a fundamental flaw in the eurozone as it is currently established. Continuing political weakness in the eurozone only adds to the risk. The political timetable ticks on for Chancellor Merkel as she surveys a recent spate of election results within her own country and without. The message from these polls is the same—people have reached and gone beyond their level of tolerance for austerity, whether it is justified or not. Those with the sweeter medicine to offer are winning, while those with the more realistic and justified difficult decisions to take are losing.

However, I have little sympathy for the position that Germany now finds itself in. Chancellor Merkel's predecessors knew of the risks that were being taken when Germany agreed to let countries such as Greece and other European economies into the euro. Subsequently, they all broke the rules at one time or another. While I have grave concern for the Greek people, the truth is that their Government were profligate

in their spending on a bloated public sector in particular, and lied about the state of their economy. But the blame game is not going to change things. We have to deal with the present and, because the UK is so inextricably linked to the fate of the eurozone, it is definitely in our interests that the present mess is cleaned up.

I listened with some concern to the intervention made by the noble Lord, Lord Radice, when he indicated that perhaps we should at this stage make further financial transfers to the eurozone. I do not know what he hears from the people, but I think that that message would be a very hard sell. I understand his rationale; yes, we have partners and want to work together. But when we are not able to pay our own bills as we would like and when our own debt continues to rise and will do so for several years to come, I fear that that will be a very difficult sell. Yes, I know we have heard talk about influence before. Are we going to be marginalised? We are one of the best customers of the countries of mainland Europe. That is where one gets a lot of one's influence. If we were so influential, why was the euro established? That indicates that even at that stage the people who took the decision had a totally different agenda, as the noble Lord, Lord Lawson, said—and we all know what it is. I say “is” and not “was” because the agenda is still there.

Whether we discuss German-backed Eurobonds—I guess that we will talk about that tonight—or an orderly Greek withdrawal from the euro, we have an overwhelming interest in our European partners' successfully resolving this crisis. This Bill is but one small contribution to that process. It is a tidying-up exercise. Following the passage of the European Union Act 2011, we are at least getting to review significant decisions for the first time.

Would it be possible to ask those in key positions of responsibility for our finances both nationally and internationally—such as the Governor of the Bank of England, the head of the IMF and the governor of the ECB—not to make so many public statements? Every time they speak they upset the markets. They should confine themselves to commenting on their statutory obligations. Statement after statement unsettles the markets and drains their confidence. Ultimately, that hurts us all. I would like those who are in such key positions to maintain a period of dignified silence, if that is possible.

I am sure that we have not had our last debate on this and related matters. However, when we discuss eurozone matters again, I hope that there will be a clear and credible plan to resolve this crisis. It is certainly not visible to me at this stage.

5.51 pm

Lord Flight: My Lords, the Bill looks to me to be essentially a no-brainer that commands the support of those on all sides. It is necessary to understand what it is all about and what the European institutions do. I am particularly concerned about what Britain's liabilities, and potential liabilities, might be.

It seems to me that we are facilitating a quid pro quo deal. Germany needs the amendment to Article 136 for its participation in the February intergovernmental

treaty obligation to be considered legitimate by Germany's Federal Constitutional Court. The Prime Minister believes that once Article 136 is amended, any further liability that we have under the initial financial stability mechanism will cease. The issue arises whether this matter would invoke a referendum under the terms of last year's European Union Bill. However, the Foreign Secretary has confirmed that no powers are transferred, so that is not the case.

As I understand it, this issue arose during the interregnum period after Labour lost the 2010 general election and Chancellor Darling was still the interregnum Chancellor, as it were, when he committed the UK to supporting the initial European financial stability mechanism fund. I say candidly that this was a mistake and that the establishment of the fund was highly questionable. It was set up under Article 122, which provides relief in the event of natural disasters occurring, not relief for Governments who are having problems raising money. The fund was able to provide support worth €60 billion, of which €48.5 billion was committed to Ireland and Portugal. Some €11.5 billion remains unused, of which Britain's liability is 15%—a total of €1.34 billion. That liability is supposed to end once the formalities of amending Article 136 are completed, and all 28 EU members are signed up to that.

The mechanism of facilities under this fund has been that the European Commission borrows from the capital markets against the contingent liabilities of EU members to provide the finances. I ask the Minister whether members have actually paid up, or whether the Commission has paid but has not yet collected the money owed by the various members. I ask that in particular because my understanding of the arrangements is that the liabilities of members are joint and several. That is to say that if, by the time they have to pay, some members are unable to pay or are insolvent, their liabilities are transferred to members that remain solvent. That is somewhat like the last-man-standing rule applying to pension funds. There is therefore a question as to whether the UK has a material contingent liability relating to the initial fund.

Somewhat like the noble Lord, Lord Lamont, my first question on investigating this territory was to ask: what are the catches and the potential weaknesses in what seemed like a win-win proposal? The second point is that it is not at all clear when or if Britain's legal liability in relation to the outstanding balance of €11.5 billion comes to an end. It was a political deal that there would be no further drawings under the initial fund, and I think there is agreement that the fund is capped once Article 136 is duly implemented. It is not clear when that is going to happen. It is supposed to happen in July, but it may not be until January, by which time it is entirely possible that further developments will overtake the situation.

Subsequently, as noble Lords will be aware, the 17 eurozone members set up the European finance and stability facility in May 2010, but Britain is not part of it. The facility borrows capital from the markets, again backed by eurozone member guarantees, and pulls together total commitments of €400 billion, of which some €188 billion is already committed—€144 billion to Greece, with the balance going to

Ireland and Portugal. I am clear that Britain has no direct liability relating to this fund, which is then to be rolled over into the new European stability mechanism, the establishment of which the Bill relates to, because amendments to Article 136 are required.

The amount to be rolled over from the second fund is therefore of the order of €220 billion, which is part of the €700 billion that the new ESM is providing as its firewall. This, again, is to be funded, I understand, by a mixture of paid-in and callable capital. I would be interested to hear from the Minister whether liabilities in relation to that mechanism are also joint and several, as I presume they are. I make the point alluded to by other noble Lords that if you continue on the joint and several liabilities front, the potential bill building up for Germany gets larger every day.

Considering all that, it looks as though the UK's position on potential liabilities is reasonable, but I am interested to know what other potential hidden catches there are. I have already made the point about whether our liabilities under the first fund can increase if other members are unable to honour their commitments. Given the history of the EU, I am also cautious about dealing with the potential reinterpretation of treaties that are signed. We have the immediate example of Article 122, which was used to establish the first fund when it was actually intended to relieve natural disasters.

I have already referred to liabilities in relation to the first fund but, as I understand it, there are two other major areas of potential liability. I believe that the ECB can call on up to €50 billion of foreign reserves held by the Bank of England, and, more fundamentally, I believe that the EIB can call on members for financial support, should it, for example, sustain significant losses on loans made to Governments in trouble. I believe that the maximum UK commitment here is €35.7 billion. Strangely, this is 39.6% of the total that all members would need to contribute, but we are shareholders to the tune of only 16%, so I am not quite clear why we have that greater liability. In short, I ask the Minister what the UK's total contingent liabilities are in relation to the eurozone. I think it is important that the House has the accurate figures.

I close by commenting that I agreed with virtually every word that the noble Lord, Lord Lawson, said. I think that his analysis was absolutely accurate and correct. It also seemed to illustrate that this situation is just like that of the gold standard in the early 1930s. Then, everyone was terrified, believing that you could not come off the gold standard or the whole world would come to an end. The gold standard did the same as the euro; it stopped countries in real trouble being able to devalue and get their economies going again on a competitive basis. When everyone had given up the gold standard, people said, "Why did we regard it as a religion for so long? We have been afforded relief at last". Although I appreciate that the break-up of the euro, which is inevitable, will bring pain—and the pain may be worse because of the EU's failure to organise an orderly break-up—within a given period, once it has happened, people will again say, "Why on earth did we stick with this currency, which prevented us from devaluing and has driven our

[LORD FLIGHT]
economy into the dirt?”. It is absolutely clear that the economies of southern Europe need major currency devaluation.

6.02 pm

Lord Clinton-Davis: Some time ago, the noble Lord, Lord Howell, explained the purposes and effects of the Bill, and I wholly approve of the intentions that underlie it. It is a technical Bill, but I want to speak about other matters and I am not the only one to do that.

We have had the voices of doom and gloom from the noble Lords, Lord Lawson and Lord Lamont. The noble Lord, Lord Lawson, spoke of arrogance and irresponsibility, and he knows what he is talking about because that explains the whole purpose of his chancellorship. His period of office was not exactly crowned with glory. I think that writing off the European Union as he has done is irresponsible in itself. Our job is to save it, not drown it.

I approved very much of what my noble friend Lord Radice said, especially his remarks concerning the relationship between this country and the eurozone. The Bill has to be regarded against the background of the current crisis affecting the eurozone, and we cannot be immune from its possible deleterious effects. Of course, the crisis directly involves Greece. Ireland, Italy and Spain are also involved, and it would be idle to pretend that the entire European Union is not affected; of course it is.

Some argue that the euro is bound to fail—a scenario which I refuse to accept. Talk of that kind will inevitably lead to the collapse of the euro. I am rather more optimistic about its prospects of survival. Some argue that Greece will have no alternative but to leave the euro and possibly the European Union. I hope that that will not happen. It is, of course, for the Greek people to decide their country’s fate, but to pretend that Britain would be unaffected and that contagion is remote is idle to contemplate.

Others contend that this scenario is to be averted if at all possible; that there is a duty on all members of the European Union, including ourselves, to rescue the European Union from its present plight; and that the Union with all its accumulated funds can and must overcome its present woes. In all this, of course, our country is pivotal and is inevitably involved. As a convinced supporter of the European Union with all its blemishes—what institution does not have any?—I continue to believe that the previous Labour Government were right not to join the euro, but that cannot mean that we can be just a non-playing bystander in the whole enterprise.

Notwithstanding that we face global instability, we now need the EU and we should strive to make it a success. We should support Presidents Obama and Hollande at the recent G8 summit in their quest to concentrate much more on growth, on a stimulus package and on promoting employment. In other words, budgetary solvency and the maximising of growth must be our equal priorities. Unhappily, the policies of the coalition are bewilderingly confused. At home, we have a programme of strict austerity;

abroad the coalition urges the acceptance of the Obama formula—ineptitude writ large—and vividly illustrated by its desire during the recent French presidential campaign to shun Hollande, who won, and support Sarkozy, who lost.

To desert the European Union, to quell revolt on the part of Conservative Back-Benchers, and to hector the European Union from the sidelines does not amount to a realistic policy. Surely no Lib Dem could support that endeavour. An increasing number of allies are now calling for economic growth. Of course, Germany finds it difficult to forgo its past, and we have to sympathise with that dilemma, but somehow the European Union must develop, grow and tackle the deficit. This is a conflict that we cannot afford to lose and I do not think that we will, despite the voices of gloom and despair.

6.10 pm

Lord Ahmad of Wimbledon: My Lords, my right honourable friend the Prime Minister has consistently maintained that in all matters European he will put British interests first, while recognising that we, as a fully fledged member of the European Union, will continue to play our part. The Bill is therefore good news. It is good for us and good for the eurozone. It gets the UK out of future liabilities that the previous Labour Government signed us up to, with the EU budget lying as a guarantee, and rightly replaces them with a permanent European stability mechanism that is guaranteed only by eurozone members.

This is right for the eurozone and, most importantly, for Britain. It addresses the urgent need for the euro area to put in place a regime that will provide collaboration and support, and that will make eurozone members take direct responsibility for the monetary union of which they have chosen to be part. Importantly, it means also that there will no longer be a reliance on others who chose to opt out to provide treaty-mandated bailouts when crises hit. However, it is just a small component of the crisis that the eurozone faces.

The rules must be adhered to because they are important. My noble friends Lord Lawson and Lord Lamont referred to the time that the single currency was born. Let us cast our minds back to that time. Economic tests were set. They were established as stringent criteria for qualification. Were they applied in reality? Sadly, they were not. It was clear to me, as it was to many others, that the euro had many flaws. Joining together in a monetary pact and without fiscal union 11 members with different economies in different states of development and with different industrial structures was setting up a currency zone on weak foundations. A one size fits all approach, as the then Conservative Government said and as the Conservative Party has maintained consistently since, does not work. I am glad that the Labour Government led by Mr Blair listened to their predecessor and did not join the euro.

Even if we entertain for a moment the notion that the criteria for monetary union were sensible when they were set, their practical application was not. Allowing countries to qualify on the basis of very loose interpretations of the criteria set up the currency to fail—and it is failing. At the time, those who predicted

that during the good times the disparities between the economies of member states would not matter but that they would matter in harder economic circumstances when the currency would be tested, were dismissed as doomsday merchants.

Let us fast forward to 2010 and where we are now, as countries in the eurozone and outside it seek to scramble it out of its crisis. Reforms and austerity measures are essential if we are to succeed in restoring some sense of stability to both markets and the eurozone. However, the members of the eurozone cannot ignore their obligations. It is no good for Greece to say that it wants to remain in the eurozone if it cannot implement austerity measures. I do not agree with the premise that a lack of integration has led to the rise of extremism. It is forced integration, with national identities being lost, that has led to the rise of extremist parties throughout Europe.

If—and it is a big “if”—some of these infant steps work towards restoring stability in the markets, perhaps we can then look to and advise on other measures such as the issuing of Eurobonds, which is currently on the agenda with the election of the new French President. Today the euro crisis predicted by the “doomsday merchants” is upon us. Countries are struggling on the brink of implosion because of widely differing levels of indebtedness and competitiveness. The architects of the euro did not put that down as a major objective—far from it. Countries such as Greece are heavily indebted and pay heavy risk premiums. As we all know, its debt is unsustainable. Some suggest that the solution is to refinance the debt through Eurobonds. However, as other noble Lords said, Germany is the key player in this. Why would Germany, which is currently benefiting from the current rate of the eurozone, seek to devalue? It does not wish to, but compromise and consensus must be the call. If the eurozone is to survive, compromise will be necessary.

It was said in this Chamber and elsewhere that the introduction of the euro would mean Britain losing its influence; that our lack of participation would marginalise our status both in Europe and on the world stage; and, indeed, that our lack of membership would render the City of London second to Frankfurt. It did not. When our Prime Minister rightly stood up for British interests and threatened to veto any legislation that would tax the City of London, again it was said that that would marginalise the UK. It has not. Britain's continued engagement and involvement in discussions on the creation of the ESM, our contributions through the IMF and our influence as an active and influential member of the G8 and NATO lay to rest the absurd suggestions that Britain lacks influence.

The Bill reflects the promise to put British interests first. It was a decision by the previous Labour Government, albeit at a time of crisis, which committed Britain to bailing out the eurozone even though we chose not to be a member. The Bill simply puts right that wrong. I therefore welcome the establishment of the permanent mechanism of the ESM but, in doing so, also welcome the fact that we no longer face the liability of bailing out a currency zone that we chose not to be part of, that we are not part of and that we should never be part of.

6.17 pm

Lord Stoddart of Swindon: My Lords, the House is indeed fortunate to have present in this debate two former Chancellors of the Exchequer, who were able to impart their considerable experience over a wide area of matters, particularly in regard to the setting up of the eurozone. I am grateful to them for their speeches today.

Why are we hurrying this Bill? Why are we introducing it just a couple of weeks after the Queen's Speech? There is no rush for it. Unless I am mistaken, the Irish are to have a referendum on the matter at the end of this month. The Germans will not ratify this policy until the autumn. I even noticed in today's *Financial Times* that Geert Wilders has applied for an injunction to block ratification until after the September elections.

I heard the statement made by the noble Lord, Lord Howell, and others that a, “healthy eurozone is important for the UK's long-term growth”. I put in there that that does not hold water, but that clearly was not robust enough because the noble Lord, Lord Lawson, described it, in much more stark terms, as “nonsense”. I think that that is a better description of it.

Lord Howell of Guildford: The issue of whether I was talking nonsense or not seems to have rattled through the debate. I think that we will all listen with fascination to the noble Lord's speech, just as we listened to the excellent speech of my noble friend Lord Lawson. However, there was an error in that perhaps they did not hear my actual speech. I made it absolutely clear that stable progress in the eurozone states is vital to stable progress in the United Kingdom. That is not quite what the noble Lord seems to be accusing me of saying.

Lord Stoddart of Swindon: It was not an accusation because I thought that I was quoting him. I am most obliged to the Minister for clarifying what he did say. I really do not like getting across the noble Lord, Lord Howell, because I respect him very much and think that he is perhaps the only statesman that the Government have among their ranks.

Lord Lawson of Blaby: For the sake of clarification, I was not quoting what my noble friend said in his opening remarks, which were rather more careful. What I explicitly quoted is what appeared under his name on the Foreign Office website, and I quoted that correctly.

Lord Howell of Guildford: I appreciate that he was relying on a press release, but I had hoped that, as he is sitting here, he might also have listened to my speech.

Lord Stoddart of Swindon: Now that we have that out of the way, perhaps I can get on with my speech. There is no doubt, as other noble Lords have said, that the eurozone was a political construct, not a financial one, to create a single European state. Because it was made up of nations with diverse economies, it was bound to fail, as it now has. The noble Lord, Lord Radice, accused those of us who gave pause when the project was starting up of gloating because it has now

[LORD STODDART OF SWINDON]
 patently failed. I do not gloat, and I do not think that others who warned of the consequences do so because the eurozone is now in difficulties. We believed that it was always going to be in difficulties; and for trying to point that out, we were derided and insulted. Indeed, the former Prime Minister, Mr Blair, said that we were unpatriotic. There is no gloating about this. We are extremely sad that the present situation has arisen.

As I understand it, the Bill allows the eurozone to further integrate and consolidate a failed system by attempting to shore it up through fiscal, economic and political union under central control by the large countries. I believe that the claim that the ESM cannot and never will apply to the United Kingdom is spurious and quite untenable. Article 16 expresses the aim that within the five years the treaty will be incorporated into the EU treaty framework, which presumably will include this country. Furthermore, we have heard all this before. Let us remember the famous Blair “red lines” over the EU constitution. All of them were eventually crossed and incorporated into the Lisbon treaty. We have to be careful when we are given assurances that certain things will not apply to this country.

I really must comment on the behaviour of the Prime Minister. He does not inspire confidence that the United Kingdom will not be sucked into this system. He seems to be suffering from EU schizophrenia. On the one hand, he opposed the setting up of the eurozone and has said that the UK will never join it; but on the other hand, he wants to dictate policy from the outside and has threatened the Greeks that if they do not vote in the right way, they will be thrown out of the euro. No wonder he is seen by the eurozone countries as a bully-boy shouting from the sidelines. He claims to be a Eurosceptic, yet demands more power for the centre.

I would like the Prime Minister to understand that the influential and decisive voices of the EU—for example, Mr Jose Manuel Barroso; Mr Herman Van Rompuy; Mr Wolfgang Schäuble, the German Finance Minister; and Mr Olli Rehn, Commissioner for Economic and Monetary Affairs—and the shadowy group of Foreign Ministers and many others are calling for complete political integration under a European government and the destruction or the sidelining of the nation states.

Why is the Prime Minister not shouting that very famous, “No, no, no”? Perhaps he is afraid of being stabbed in the back by the Deputy Prime Minister. The Prime Minister says that we will never join, but I remind him that others want the whole system to be extended into a single European state. This Bill will help those who wish to create a country called Europe, in spite of some voices this afternoon and in other debates who do not wish to see that happen.

6.27 pm

Lord Dobbs: My Lords, this afternoon’s debate has been thoroughly stimulating—and we still have a way to go—as was our debate on Monday. Perhaps I might be forgiven for spending just a few minutes trying to draw some threads linking Monday’s debate to what we are discussing today.

Monday’s debate was thoroughly thoughtful, and two contributions in particular stuck in my mind. The first was the claim by the noble Lord, Lord Willoughby de Broke, who sadly is not in his place, that in real terms more has already been spent on bailing out the eurozone than was spent on reparations and reconstruction after the two world wars. If that is so—and I look forward to seeing the figures—it is a statistic and a reality that should give us all pause for very considerable thought.

There was also an emphatic contribution on Monday from the noble Lord, Lord Judd—who sadly is not in his place either, but his words echo on—in which he spoke of the “ethical commitment” to Europe based on lessons he drew from his experiences of World War II. He put his points with eloquence and great passion. The speeches of both noble Lords got me thinking about the historical perspective that they raised. Can history teach us any lessons, even though the crisis that we are witnessing and going through today is very different?

Ardent supporters of the European Union base their very genuine beliefs on an ethical view. The EU, they say, is the best way to avoid the extremism and intolerant nationalism that led us down the road to disaster in the 1930s. It is a very genuine view but there is a danger of taking too narrow a view of ethics and events. The ethical side of the debate in the 1930s—and it was a very black and white debate then, too—was claimed by the anti-war lobby, the appeasers.

When Neville Chamberlain flew back from Munich waving his little piece of paper, he was applauded by archbishops and moralists, and summoned by the King from Heston Aerodrome to Buckingham Palace, where he was brought out on to the balcony to accept the cheers of tens of thousands of grateful people. In October 1938, Neville Chamberlain was the most praised, honoured and seemed to be the most ethical politician of his day. It did not make him right of course. Indeed his strong and rigid ethical views, which he held most sincerely, ended up blinding him, and leading him and the entire world astray.

The point I want to make is simply that while I have enormous respect for the sincerity of those who support the EU as being the only alternative, I do not believe that they are right. I hope that does not make me swivel-eyed. For instance, in October 1938, Winston Churchill was hugely unpopular. The Conservative Party was planning to deselect him in 1938—not something that we talk about a lot nowadays but it is absolutely true. He was derided as a swivel-eyed warmonger and a man of the past. We heard similar claims from one or two noble Lords in Monday’s debate and mutterings about political reactionaries who apparently lurk at home wearing union jack waistcoats. I frankly thought that was a pity in what was otherwise a fine debate.

Then I began to think about what the noble Lord, Lord Willoughby de Broke, said and what happened after World War I and World War II. After World War I, we punished Germany with reparations and crippling austerity. The economic consequences were disastrous; the political consequences far worse. We should not be

so naive as to think that such appalling outcomes are impossible today. Democracy is a delicate flower and in many parts of Europe the soils are thin.

Towards the end of World War II, a similar discussion about the future of Europe was held. In February 1945, the great leaders, Churchill, Roosevelt and Stalin, gathered at Yalta to map out the shape of post-war Europe. That summit too came desperately close to repeating the follies of 1919. Stalin wanted to tear the industrial heart of Germany, pack it up to the last bolt and rivet, and ship it back to the Soviet Union. He wanted to reduce Germany to a rural backwater. Roosevelt was of much the same mind and wanted to break up the odious German state into a number of powerless and pathetic provinces. However, the swivel-eyed, warmongering Churchill had a different vision. He was outnumbered and isolated at Yalta but he remembered the terrible mistakes of 1919 and fought furiously. Although Yalta was largely a disaster for the West, he was able to prevent Germany from being ripped apart and dismembered; although it was of course divided. It was a delicious irony that it was that old warmonger—the man who had stood out against the ethical orthodoxies of his day—who saved Germany and with it, eventually, free Europe.

Many of you will know the history of that time better than me, so I will come quickly to the conclusions that I want to reach and the lessons that I think we can draw. First, ethical values are not held simply by one side of this argument. Secondly, there is nothing to be gained but sorrows from pushing states too far down the road of blind austerity and crippling reparations. In 1919, and indeed in 1945, we talked of Germany; today we talk of Greece, Ireland, Spain, Portugal and Italy, but, for the moment, particularly of Greece. The ESM is a sticking plaster in that solution but it is not by any means a solution in itself. We all know that and I support it for what it is. However, I fear that sticking plaster that it is, there are few, if any, sticking places left. If—and, I suspect, when—Greece is forced out of the euro, whatever else happens we must not turn our back on the Greek people, any more than we turned our back on the German people in 1945. Otherwise, that fuse of extremism that we have heard so much about could all too easily be lit once again.

I would gently encourage—not lecture, I hope, but encourage—all the authorities in Europe, and particularly those in Germany, to remember the lessons of the post-Versailles period rather than naively insisting that all financial obligations should be met, no matter what. In the period between the wars, that policy proved to be no more than whistling into the teeth of the gathering storm, and the tune has got no better since.

I believe that the eurozone is set on a downward slope and cannot survive in its present form. There will be more pain but my final conclusion is yet one of hope. We have all been through worse than this, or at least our fathers did, and found the imagination not simply to survive but to flourish once again. Instead of sticking stubbornly to the premises and prejudices on which the creation of the eurozone was based, let us look forward to a different, more flexible, more creative and more tolerant Europe; a less bureaucratic, less

centralised and less overmuscle Europe; a Europe that is so much more than a eurozone. Whether the ESM will play any part in meeting that hope, I know not. I can only keep my fingers crossed and my savings in sterling.

6.37 pm

Lord Davies of Stamford: My Lords, I do not normally agree very much with what the noble Lord, Lord Dobbs, says about Europe and I disagree with some of the things that he said today. However, I enjoyed his speech and agreed with several of the things that he said; notably, first, that fiscal austerity, though necessary, is not enough and should not be pursued excessively; and, secondly, with his quite wise statement that the ESM, though important to a solution, is not a sufficient solution to the instability we face.

I have no problem with this Bill. I enthusiastically endorse it. I am very much in favour of it and very happy with the transfer of the basis for this form of firewall from Article 122 to Article 48. My one considerable sadness is that we are not part of it or have not made a voluntary contribution to it, as Poland and Sweden did to the previous financial stability facility. My reason for that is, partially, solidarity—I believe in solidarity, although it always seems to be a very long-term self-interest—and because of our immediate self-interest. We all agree that we face a desperate crisis. We are on the edge of a precipice and so forth, and we hope that there will not be collapse. We desperately hope that this firewall will be effective, so we ought really to be contributing to it. In my view, it would be a good use of the nation's reserves to make some contribution.

If one's neighbour's house is likely to burst into flame or if one fears that might happen, it seems sensible to contribute to the local fire brigade, instead of which there is the Prime Minister's approach. I agree with Members on both sides of this House who have criticised that approach, which seems to be not to make any positive contribution at all but simply to stand on the sidelines criticising loudly what is going on. He reminds me of a man who might be on the shore when he sees people in trouble in the water. He is not willing to take any risks by trying to help them and does not even want to get his feet wet. He just calls for a loudhailer and shouts at them where he thinks they have gone wrong. The Prime Minister is the last person to give any lessons to our European friends and allies on this subject, because he has got his own economic policies so wrong. He inherited growth and has produced recession. In the first quarter of this year the eurozone, despite its well publicised problems, had a positive rate of growth overall and we had a negative rate. I do not think any more needs to be said on that subject.

It has been generally agreed in this debate that the ESM is necessary but not sufficient. There are actually six pillars required for a viable solution to this crisis. First, of course, there is fiscal deficit reduction. That has happened on the continent, as here, but it should not be pursued excessively and certainly not to the point where the reduction in gross domestic product as a result of recession more than undermines the positive effect of reduction in the fiscal deficit on the

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debt to GDP ratio. When there is any danger of that happening, it is a time for Governments to think again. That rule should apply everywhere. It should apply here. We should be thinking again, as Christine Lagarde has said, and we should be thinking again about Greece. I hope there will be some revision of the austerity programme in Greece and some reduction, or at least elongation, of the deadlines in the bailout package. I hope it will be available for the Greek electorate to take full account of it and therefore be able to make a proper democratic choice at their forthcoming election.

The second central pillar of progress is supply side reform. Immense progress has been made in this direction under the pressure of the crisis. I have said before in this context that very often in human affairs—it is certainly true of the history of the European Union—people do the right thing but do it almost too late under the pressure of a crisis. We all know how that happens. It happens in our private lives and in business lives all over the place. That is just a fact of life. I thought that the 30 January European Council produced some very important supply side measures. I hope they are going to be pushed through by this Government and other Governments. I salute the progress that has been made by Mario Monti in Italy in producing labour market reforms and pension reforms. I think Italy is now the only country in the world which has a pension system that is formally linked to life expectancy, so that when life expectancy increases the pension age is automatically increased. The Greeks and the Spaniards have been tackling their labour market issues with a vengeance, which they would not otherwise have done. Of course, they should have done it years ago, but at least they are doing it now. Therefore, supply side reform is very much in place.

The third pillar is firewalls. I have a suggestion to make which I made in this House some months ago. It should be within the powers of the ESM to lend money to sovereign Governments who would be subject to a bailout and whose debt is trading at below the bailout price. That is certainly the case of Greece at present. We have missed a lot of opportunities over the past year or so for the Greek Government to buy back their debt at a much better discount—it was at 80%—than the bailout discount, which is about 50%, and then cancel it. It has been foolish that there has been nobody able, willing or empowered to lend for that very sensible purpose. I hope that may be taken on board as a positive suggestion.

The fourth essential pillar is banking recapitalisation. Nobody has been making the point in the public debate or in the debate in the press that banking recapitalisation is very problematic and dangerous in the present circumstances. At a time when we want banks to lend more money and want demand to be relaunched, banking recapitalisation produces a disincentive for banks to increase their lending. The easiest way, and some banks in the present circumstances will say the only way, that banks can achieve better capital ratios is by reducing their lending and maintaining the same capital base. It is certainly true that they cannot be expected to go for rights issues with their share prices on the floor as they are at present and for that reason

other forms of tier 1 capital would be prohibitively expensive to raise. They cannot cut their dividends in the present market conditions as that would really shoot the value of their shares to pieces, which would be extremely destabilising. So what do they do? The only thing they can do is to reduce their staff costs. Of course, an individual bank cannot reduce its staff costs because people would just walk out of the door. It can be done only by governmental action to impose some limitation on the staff costs of undercapitalised banks, and that has to be enforced throughout the European Union. I hope that that thought will be taken on board.

It sounds very draconian, but the present circumstances require draconian measures. Of course, some people will say, “Don’t worry”. When I have raised this matter previously in the House I have had that response from the noble Lord, Lord Sassoon, who I am sorry is not in his place to hear it once again. He always says that it does not matter because the Basel criteria for capital adequacy come into force only in 2018 or 2019. I have been on the board of a bank so I know perfectly well that if you are told that you have to achieve certain capital ratios in five years’ time, it is going to affect your lending decisions and your policies right away because you know you have to move on that trajectory. Therefore, that is not an answer to the problem. The problem is in fact very urgent. We need to make sure that banking recapitalisation is not pursued at the expense of a solution but actually contributes to one. I fear that in the present circumstances you cannot possibly get rid of these requirements because for Governments to go back on them would be very destabilising. Therefore, the only way through is the one that I have suggested.

The fifth essential pillar for a solution is the use of market mechanisms, allowing the price mechanism to work in the factor markets throughout the European Union and particularly in the eurozone. Where demand is less, demand conditions are much weaker and there is unemployment, factor costs should be allowed to fall and wage costs need to be allowed to fall in nominal terms. Where demand conditions are much stronger and unemployment is much lower, then the price mechanism should be allowed to work and nominal wages should be allowed to increase; indeed, real wages should be allowed to increase. That is precisely what is happening now, I am glad to see. The other day, as we all would have noticed, IG Metall came to a Tarifvertrag—a wage agreement—in Germany, involving millions of engineering workers with an increase of more than 4%. Equally, in Greece, wages are falling quite substantially in the public sector—by 20%—which is absolutely enormous. I saw the other day that in Spain over the past year wages had fallen by 1% in nominal terms, which of course means more than that in real terms.

That is already a considerable element of internal devaluation—or revaluation, in the case of Germany. I say to the noble Lords, Lord Lamont and Lord Lawson, that that is infinitely preferable to the kind of external devaluation which they always advocate. It avoids the great problems of external devaluation. It avoids the idiocy and distortion of changing every price of every good and service overnight by the same amount irrespective of demand for it, which is completely

crazy. It avoids the inflationary impact, through import prices, of a devaluation. It avoids suffering from the enormously excessive swings of currency markets in times of uncertainty, so that you can be certain that the external devaluation or revaluation will be far greater than is required by the circumstances. Of course, it avoids completely the threat to the solvency of households, corporates or banks—this is very relevant in Greece—which happen to hold their liabilities in the stronger currency, in this case the euro, and risk having their assets and revenues translated into a weaker currency with great threat to their solvency. This kind of internal devaluation is infinitely preferable and it is the most sensible way to go.

Finally, we need a growth package. Austerity is not enough. That is the message which is coming through loud and clear. It is not a message which the Government seem to want to hear in this country, and not a message in which they therefore have any credibility when, in contradiction to their policies in this country, they convey it abroad. But, of course, it is necessary. I hope that we will have really good, dramatic news tonight. We need some news which affects psychology and confidence. I hope that there will be some good, imaginative thinking coming out of the informal European Council meeting which is taking place this evening.

I support the idea of increasing the EIB capital. That is a splendid move, but it does not go that far. I strongly support the idea of making sure that we are spending the unspent structure funds. It may be necessary in Greece, and I hope that this happens, to relax the co-financing terms of the structure fund programme. If Greece is under this fantastic fiscal pressure, where can it find the money to come up with even 10% of the investment cost of schemes that are being funded out of the structure fund programme? Of course, there is a good argument in most circumstances for co-financing, to avoid moral hazard and so forth. In the present circumstances, however, it seems sensible to reduce that to an absolute minimum or to find some other way, like appointing outside consultants to vet programmes to achieve that flow-through. Above all, I hope that there will be some new initiative, which I cannot anticipate but I hope will come out very quickly. That is necessary to make sure that there is a new boost to growth and demand, ideally through infrastructure spending, in the eurozone and particularly in those countries which have been affected most by the downturn: Greece, Spain, Portugal and Italy.

6.50 pm

The Earl of Dundee: My Lords, I join with most others in welcoming this Bill in its Second Reading. The introduction of a permanent stability mechanism is certainly timely. It also makes sense that the United Kingdom should not automatically have to take part. However, as a number of your Lordships have qualified, there will probably be occasions when on an ad hoc basis we and other states outside the euro area may want to contribute all the same.

Although in itself hardly contentious, the Bill throws up a number of matters with which inevitably its confined purpose is still associated, as already demonstrated in this debate. It is with a number of these that we may be

much more exercised. Today I would like to touch briefly on three of them. First, there are certain further stability systems or mechanisms which now might usefully follow on. Secondly, there is the connected issue which seems to confuse and divide politicians and economists alike: in Europe, the balance that should be struck between measures of restraint and austerity and those to encourage growth, as indicated by the noble Lord, Lord Radice, and others. Thirdly, regarding the future political direction of Europe, there are the simple forms of guidance and leadership which this country and others should give. Indeed, today many of your Lordships have referred to the future scope of our influence.

So far, the success ratings of European systems and mechanisms may not have been too good. Previous attempts to enforce fiscal discipline in the euro area through the stability and growth pact came to nothing. This was because sanctions were not imposed for breaches of the pact. Yet at the moment perhaps a rather different attitude prevails all round. If so, that prospect would represent one of the silver linings to the cloud of current European economic adversity. Does the Minister believe this to be the case? If so, which adjusted proposals for fiscal discipline and macroeconomic stability does he consider would next benefit Europe and properly work?

The second issue is that of combined measures to achieve restraint and growth at the same time. The first task is to dispel some false dogma. This would claim that you either go for restraint or growth. You cannot achieve both together. Yet in discarding the notion that growth and restraint measures are mutually exclusive, it is perhaps a comfort to reflect that Harold Macmillan would almost certainly have refuted it as well in the same way in which, in his maiden speech in this House, he dismissed the parallel misapprehension that you either had to be a Keynesian or a monetarist. He implied that economists and politicians pedalling that intransigence had not helped him very much. For the future running of the country's economy, much wiser counsel had instead come to him from his nursery and from his nanny. She knew that you used your common sense and struck a balance. You had to chop and change. Sometimes you fed a cold and other times you starved a fever.

This year, in helping to forge such a balance in Europe, our Prime Minister and the Administration are to be congratulated. At the March European Council meeting a number of important United Kingdom suggestions for growth stimulation have already been accepted. These include deepening the single market in services, tackling the regulated professions and opening up that part of the single market. There had been no reference to deregulation. Now references have been provided with corresponding sectoral targets. There had been no mention of completing the internal energy market. Now there is a deadline to achieve this by June 2014.

Rather curiously, there had even been no mention of trade itself, the key facilitator of economic growth. Now for the June meeting there will be a specific focus upon trade, including trade deals. These provisions, all led by our country, thus constitute a considerable step

[THE EARL OF DUNDEE]
in the right direction. And they demonstrate how this particular recipe for economic growth comes to function alongside other measures already in place in Europe to achieve economic restraint.

Clearly, there are many more opportunities for growth stimulation. Which of these does the Minister identify for the next stages? As already indicated, the agenda of the March European Council meeting revealed an alarming lack of attention to the relevant details. It is fortunate that our country was able to come to the rescue. What guarantees are there that future agendas will be more focused and pragmatic in the first place? Regarding existing agreed measures and their timetables, what system of monitoring is in place so that the aims themselves do not fall short and there is no procrastination over their corresponding action dates?

This links to my third theme of useful political leadership that our country and others can offer Europe. The March European Council meeting may also have heralded a political breakthrough. It produced a new and unprecedented coalition. Along with us, it brought together Spain, Italy, Poland and many different states from all over Europe. It did not just comprise the usual, traditional allies from the north. Therefore, not only with these new partners but in association with France and Germany, there is a fresh opportunity for our continued advocacy and guidance of a constructive and balanced package of measures to attain both economic restraint and growth. Does my noble friend agree that we may now be particularly well placed to lead such measures and persuade other states of their efficacy? If so, what plans are there to widen our new political coalition to strengthen support for our European economic prescriptions?

Then there is the Council of Europe, on the Parliamentary Assembly of which I have the honour to serve. It is a coincidence that our current six-month chairmanship happens to end today, on 23 May. It has been a fruitful chairmanship, first, in brokering agreement on methods to improve the efficiency of the European Court of Human Rights without undermining its standards; and, secondly, on enhancing delivery to local democracy from within the Council of Europe. I pay tribute to my noble friend Lady Hanham, the Minister responsible for this task within our UK chairmanship. As a result of her efforts, a goodly level of consensus has been reached on ways and means, thus standing to benefit local democracy in the Council of Europe's affiliation of 47 states.

A connected problem is the need for co-ordination and joined-up writing between the latter and the European Union's smaller affiliation of 27 states. In Europe there is a great deal of good will towards our country and recognition of our ability to broker consensus and improve results. Does my noble friend agree that we should, therefore, now work towards a different and proper degree of co-ordination between the Council of Europe and the European Union in a variety of fields?

In summary, today's Bill reveals sound logic and a counterbalance. For good reason, it removes our liabilities within the eurozone. Equally, through counterbalance and in wide context, it reflects our enormous commitments to Europe. However, these are not just commitments

to obtain the recovery of its economy. Much more significantly, they are political resolves to protect freedom, democracy and good standards.

6.58 pm

Lord Hannay of Chiswick: My Lords, support for the Bill may come as something of a surprise to the government Front Bench from someone who has been generally critical of the coalition Government's performance on European Union issues and remains so. I regard last year's European referendum Act as a ball and chain around any future British Government's negotiating position, and the decision last December to refuse to join the negotiation of a fiscal discipline pact as an unnecessary and self-inflicted wound. It may come as a surprise that such a person should wholeheartedly support the legislation before the House today, which is designed to enable this country to ratify a change to the treaty on the functioning of the European Union to which our Government have already agreed and which has already been approved by both Houses, as the noble Lord, Lord Howell, said in his introduction.

I give this Bill unqualified support, and not just because the failure of Parliament to do so would create an appalling precedent whereby a British Government's word would no longer be seen as being as good as their bond, although that is surely a compelling enough reason. But the case for support runs rather deeper than that. It is based on a belief, which I have not heard mentioned in this debate, that the European Union for the foreseeable future will consist of both members within the eurozone—I am not speculating about how many of those there will be—whose currency is the euro and whose interest rates are set by the European Central Bank, and members outside the eurozone, such as ourselves but not only ourselves, who will continue to operate their national currencies and national interest rates.

I believe that it is crucial to achieve the maximum possible degree of solidarity and to reduce to the minimum the policy and institutional distinctions between those two groups. Only thus will we have any chance of ensuring that aspects of European policy as fundamentally important to this country as the single market and its further development remain firmly under the control of the European institutions and all 27, shortly to be 28, of its member states.

By enabling the operations of the European stability mechanism, which imposes costs on the members of the eurozone alone and not on us or those outside it, to be based firmly on EU treaty provisions, we are making another modest contribution to that solidarity. That is why I agree with the Government's assertion that the ratification of this treaty change is in Britain's national interest. It has to be admitted that that concept of solidarity is not much in evidence these days, particularly in debates on European matters in this country, even though our own future growth and prosperity is so closely bound up with that of the other members of the European Union—whether they are in the eurozone or not, or whether we are in the eurozone or not.

The emphasis is all on how to avoid solidarity and how to ensure that this country does not incur the slightest hint of a financial liability. In the case of the

present treaty change, that issue does not arise, and I am not suggesting that it should. But I would suggest that it is an approach which is both short-sighted and misguided. The greatest financial risks to this country in the present circumstances arise from a possible breakup of the eurozone, not from its stabilisation and survival.

In the case of Ireland, we already faced and drew back from taking the dog-in-a-manger attitude which is so often commended in this country. Our rather niggardly approach to IMF replenishment—that criticism I am afraid applies to the Government and the Opposition—shows just how reluctant we are to recognise that need for solidarity. Yet, the awful example of the 1930s—I have heard some pretty odd interpretations for that decade in the debate so far today—when the countries of Europe and beyond definitively turned their backs on mutual solidarity and opted for protectionism, competitive devaluations and appeasement, are there to remind us of the possible consequences of such policies.

I confess that I was a little shocked but not the slightest surprised when at the briefing meeting on this Bill so helpfully organised last week by the noble Lord, Lord Howell, and his colleagues, the chairman of the European Scrutiny Committee in another place warned that the Bill was likely to run into major difficulties and opposition when it was presented there. I was not surprised because it is becoming ever clearer that a number of the Government's supporters in the other place are determined to spare no effort to widen the gap between Britain and its European partners—indeed, to bring about an eventual parting of the ways between us. I say to those of that point of view that the eurozone crisis is seen as an opportunity, and not a challenge and a threat. They are frustrated that the Government do not seem to share that view, which is an opinion that has been expressed today sometimes rather eloquently but, in my view, not in a way that I could share.

As we are debating this Bill today, the leaders of the European Union are meeting in Brussels to consider how best to reconcile the policy objectives of fiscal consolidation and the need for growth in all our economies. Let us hope that our own Government are playing a full and constructive role in that wider debate and that in the next phase of the development of the European Union Britain can come to the table with ideas and not just with objections. That is surely the only way in which to make a success of Britain's continued membership of the European Union and persuade the British people that that is the right course to take.

7.05 pm

Lord Risby: My Lords, I may not be able to cheer your Lordships' House up particularly, but I may do so by saying that this speech will be very brief. This Bill may not be ground-breaking or contentious, but it is worth reminding ourselves why it is of some value. All member states' parliaments must approve the proposed Amendment 136 to the Treaty on the Functioning of the European Union, but legislation approved by an Act of Parliament last year, the European Union Act 2011, enhances our democratic oversight. This Bill does not

involve directing powers from the UK to the European Union centrally, so no referendum is required. I hope, therefore, that all of your Lordships can reflect on how important last year's legislation was, given the current turmoil in Europe and the real future possibility of substantial structural or even constitutional changes in the EU which will most certainly affect us.

We may be out of the eurozone, but we cannot escape our geography or the economic and other links with our continental neighbours. We have to respond carefully and thoughtfully to the political and economic crisis that has descended on our continent. We do not know how this will work out, given the current disagreement within the eurozone, and although I cannot foresee what constitutional implications there may be for us, at least now either our Parliament or, if necessary, our people, will have greater opportunity to take greater ownership of any such possible process. Meanwhile we have to encourage and even at times assertively suggest ways forward to our European neighbours to find a solution to their crisis. Agreeing to this short Bill would at least get us out of future direct liabilities and allow the eurozone members to create a larger mechanism: the European stability mechanism. It seems to me desirable for all the EU states, in or out of the euro, to put this change through our Parliament and all theirs. However limited in the circumstances, it is at least a small and partial although important responsible reaction to current difficulties.

In a speech two days ago in your Lordships' House my noble friend Lady Williams of Crosby reminded us of the hugely comprehensive and all-embracing process to fulfil the Copenhagen criteria for EU membership. Nothing remotely comparable was ever laid out for eurozone membership, and to the extent that there were national budgetary constraints they were almost immediately flouted. If, indeed, a new eurozone fiscal pact emerges and there is the inevitable reduction of national sovereignty, I hope that the use of referendums that enables us to debate this appropriately and seek voters' approval becomes much more widespread. I say that because the Lisbon treaty, which finally emerged out of the constitutional convention, has not succeeded in dealing with the main injunction of the Laeken declaration, which is to try to close the democratic deficit which we now see under so much pressure in the European Union today.

In the end, politicians in all democratic European countries will make their ultimate judgments based on their own domestic constituencies. Mrs Merkel's position is perfectly understandable; it accurately reflects the view of her citizens, who see themselves as being punished, potentially, for their frugality and economic success. We ought to remind ourselves that many Germans paid, within living memory, a very high price for the unification of their own country, and many of their citizens remember this. Ultimately, you cannot buck the market. You cannot have a single currency with each member state with very different levels of competitiveness all paying hugely differential rates to service their debts.

The economy of Greece, so badly managed, cannot charge its adoption of the euro as the basis of its problems. The problems were certainly internally generated. In order

[LORD RISBY]

to resolve their problems the Greeks have to contemplate the possibility of leaving the eurozone. Of course that course presents difficulties but I suspect that it is the lesser of two evils.

The most important thing now is that all key strategic decisions should be taken soon as regards exactly who will remain in the eurozone—if that is to be the course—and what new fiscal arrangements are to be put in place. Frankly, as long as those problems remain unresolved, everyone in Europe will suffer. At least in Britain, however, any possible anger or frustration felt by our people about the impact from our neighbours will be offset by the fact that at least we know that we will have a say on any possible constitutional change. I suspect that many of our fellow European citizens would like eventually to have the same opportunity, at a time of febrile social tensions in many parts of Europe arising from this wholly predictable crisis which is affecting the lives of millions of our fellow Europeans. Regrettably, it has begun to shake the very democratic underpinnings of the European Union itself.

7.12 pm

Lord Anderson of Swansea: My Lords, because of an administrative error my name was not included on the list. So please add my name to the end of the list.

I disagree with the noble Lord, Lord Risby, in respect of referenda. Under the 2011 Act, even the smallest incremental change as regards moving power to Brussels will lead to a referendum—a referendum in which perhaps Mr Murdoch will have far more influence than ordinary British citizens. However, no referendum is proposed on far weightier constitutional change, such as that relating to the future of this House. I hope that the noble Lord will comment privately at some stage on the apparent contradiction in the Government's position on those two matters.

Clearly any debate on Europe—however inconsequential or irrelevant, as the noble Lord, Lord Lawson, said—goes well beyond the confines of the Bill itself. We have had many historical analogies. We have heard from two former Chancellors, who sounded like elderly gentlemen sitting in deckchairs debating how things would have been so much better if people had listened to them. I remember the debate, for example, on the common or single currency. Things would have been so different had the common currency been accepted in the 1990s. However, the voices that were raised at that time were ignored, in part because of our lack of influence and the fact that we had marginalised ourselves.

It is also true, for those who are Europeans, that we should concede that a large part of the argument and the logic for the euro was politically driven; that it is extraordinarily difficult to have a single currency given the existence of so many economies operating at different levels; and that there is an inexorable move from that to political and fiscal union which one cannot ignore. Equally, I would hope that the opponents of Europe—the opponents generally—would concede that the European Union still has an enormous magnetism for those who are outside it, on its periphery. Perhaps they should ask themselves why that is so. Croatia is to join the European Union, and it will be followed by a number

of the other Balkan countries. That is more likely than not to increase stability both within our own neighbourhood and within the Balkans. Other countries will want to evolve different forms of relationship with the European Union, despite its current difficulties. Those difficulties exist now but the period following the euro's formation was one of relative prosperity when the euro was seen to be a success. Alas it has not been able to weather the economic storms—which are not, in fact, confined to Europe.

The Bill itself is of relatively minor consequence. Its parliamentary passage is therefore, pace the chairman of the European Scrutiny Committee in another place, likely to be speedy and non-controversial. We, in common with the 26 other EU countries, will thereby be able to ratify it so that it can come into effect, one hopes, at the beginning of next year. The message is that this is a formal change imposing no liability on the UK, although questions were raised about whether the result of the predecessors of this mechanism may indeed provide such a liability.

It is worth examining the Bill briefly in terms of its genesis and context. The European Union Act 2011 was, in fact, in part a genuflection to the anti-European pressures on the Conservative Back Benches. I have made my point about the referendum. Technically, there is no liability accruing to the UK. However, in view of the spirit of solidarity, surely it is important—because of the relevance of the health of the eurozone to us—to seek to make contributions as and when necessary in that same spirit.

An observer from Mars reading the Bill would be wholly unaware of the multifaceted crisis affecting not only Europe but the West generally. Perhaps one of the major criticisms of the Queen's Speech was just how parochial it was. There was no mention of NATO or the Commonwealth, so beloved of the government Front Bench, save in the context of succession to the Throne and Jubilee visits. The truth is that notwithstanding this little Bill, there is a long-term crisis in Europe—the greatest since the Second World War. Even the *Sunday Times*, part of the Murdoch empire, wrote last Sunday about the need for federalism. We therefore have to ask ourselves whether we have now come to a 1957 moment when the country must choose.

I recall, when I was a junior diplomat shortly after that time, how desperately Britain tried to repair its failure to sign up to the Treaty of Rome. There was the *cul-de-sac* of EFTA; there was the wish to look for every possible means of joining with the six, using the mechanism of the Western European Union; and so on, until we were faced ultimately with the only logic—that it made sense for us to become full partners with the original countries.

There is in Europe today a social crisis—a crisis of unemployment, particularly of the young, leading to social unrest and migration from south to north, and possibly increasing levels of organised crime and terrorist networks. Politically, one sees the rise of nationalism, the lack of respect for the political class, the toppling of Governments and action of any sort against those in power—as happened even over the weekend in the Italian local elections. Clearly there is a vast challenge, and there are choices. No one seriously claims that the

Queen's Speech or this little Bill in any way recognises or rises to the challenge. The Bill tells us a little about the priorities of the Government—the Queen's Speech even more. The Bill is not irrelevant, although it may be somewhat inconsequential. However, it perhaps gives the misleading impression that we can isolate ourselves from the troubles on the continent. We cannot. We must find bilateral and other means of assisting whenever we can.

There is no evidence that the Government, or indeed the population of this country, recognise the scale of the challenge. The foundations of Europe are being shaken and we need to confront that now. The speech of the noble Lord, Lord Dobbs, was on that theme. We need to confront these vast challenges—this, perhaps, 1957 moment—yes, in a spirit of historical understanding; yes, in a spirit of sensitivity to the problems of our fellow citizens of Europe in Greece; and yes, also with a readiness to look radically at solutions which we must ultimately face.

7.19 pm

Lord Reid of Cardowan: My Lords, I wish to make three simple observations in the gap. The first is that the recession and the problems of the eurozone may be related but they are actually distinct. The recession is a global challenge; the eurozone is a home-grown European problem because it is based on the wretchedly misconceived delusion that you can bring together 17 or more nations of varying productivity and competitiveness and so on and merge them by an act of sheer political will into an economic reality other than the one that exists. It is probably the biggest political misjudgment since Versailles and may lead to the same form of consequences. Incidentally, on that subject, not all red lines were abandoned by the previous Government, as has been suggested. One that was maintained was the demand for convergence before joining the euro, and it was maintained in bright red because it was a demand that could never be met in our lifetime, which is precisely why it was there.

The second point arising from that is that the problem is therefore chronic and not acute. It runs right through the eurozone itself. It is a fundamental problem and my great fear is that the cure will be worse than the disease. The noble Lord, Lord Dobbs, spoke of the treaty of Versailles and the economic consequences in Germany. However, it was not the economic consequences alone that led to the extreme social and political instability but the perception that they were being imposed from outside. Therefore, if the cure for the eurozone is further centralisation in Brussels, which is at the centre and is seen to be a frontage for Germany, it will not cure the problem. It was predictable and predicted that social and political instability would be added to financial instability, and that is precisely what is happening in Greece.

Thirdly and finally, it is not anti-European to point these things out. It is not anti-European to argue against the eurozone. It is not an act of friendship to encourage your friends to continue on a ruinous path which you believe will result in an even greater catastrophe for them. There is an old military adage, "Never reinforce failure". If something is fundamentally flawed

and failing, it is no act of friendship for us to encourage people to go in that direction. I wish that we had spent just half the money that we have spent trying to bail out the euro with every member inside it on something similar to a Marshall Plan—a really radical plan which recognises the fundamental flaw and then assists our European colleagues who have made the terrible mistake of joining the wretchedly misconceived eurozone to exit from it. So far as I am concerned, that would be a real act of European solidarity.

7.22 pm

Lord Liddle: My Lords, this is a small Bill consisting of two clauses but, as we have heard in this excellent debate, it is about the huge topic of the future of the euro. As the noble Lord, Lord Howell, explained to us with his usual clarity, the Bill is an enabling measure. We are legislating here not on the substance of the European stability mechanism but only on the enabling treaty change to allow it to happen. Labour recognises the need for this enabling measure. As the noble Lord, Lord Lamont, said, it is already priced into the markets. No one should kid themselves that the establishment of the European stability mechanism is a sufficient response to the crisis that we have now. There is an enormous crisis in Greece and a growing calamity of collective austerity. To that extent but not much more, I agree with my noble friend Lord Reid.

My noble friend Lord Giddens said that he had had enough of talking about being on the edge of precipices. Perhaps I may say what I think is at stake here. At stake is a crisis that threatens the success of the post-war settlement that we have seen in Europe and the stability and prosperity that the European Union has brought to Europe. That is what is at stake in this crisis. I disagree profoundly with the noble Lord, Lord Flight, and his parallel with the gold standard. The difference between the European Union and the gold standard is that it is a political union, and politics can do something about it. If leadership is shown we can avert a crisis that threatens to break up the post-war settlement.

What we need, as the noble Lord, Lord Hannay, said, is a bit more solidarity and a bit less emphasis on limited liability. How should we go about trying to save the situation? First, the firewall needs to be a lot bigger in scale and more flexible in operation. The existence of the stability mechanism cannot be a substitute for a central bank. The central bank must be willing and prepared to intervene decisively in the bond markets to stem self-fulfilling speculation and panic. I do not think that we will get eurobonds at this stage; I do not think that the Germans will agree to eurobonds until there is established a European fiscal authority. However, we could have a more flexible stability mechanism.

Secondly, the stability mechanism should be preparing now to act quickly on recapitalising the banks in Europe on a pan-eurozone basis. If responsibility for sorting out the banks remains with the national countries—the sovereigns—the problems of countries such as Spain can only get worse because sorting out the banks increases the fiscal problem; dealing with the fiscal problem involves a squeeze that makes austerity more severe; and the impact of this fiscal squeeze on growth ultimately also deepens the problems of bad

[LORD LIDDLE]

loans and zombie banks. We have to deal with this on a pan-European level and the ESM is the body to do it.

Thirdly, we need a more balanced strategy—not choosing growth over austerity but a balanced strategy. François Hollande's victory has changed the political weather in Europe. There is a growth plan under preparation in Brussels. We have heard about it in our debate—unspent structural funds to be used better, recapitalisation of the European investment bank and an experiment in project bonds. Put with that, the noble Lord, Lord Davies of Stamford, talked about the need for structural reforms and the need to revive the single market which Prime Minister Monti is so behind. That is a credible package. They are welcome initiatives but from our side we not think that they are enough. For one thing, their impact would take too long to work. Infrastructure schemes and renewable energy projects are rarely ready to go. Southern Europe needs stimulus to growth now.

Lord Davies of Stamford: I am grateful to my noble friend for giving way. He will be aware that in Greece the motorway building programme was stopped midstream because of the bailout conditions. Those projects are shovel ready—a lot of work has been done on them and they are all ready to go. Some financing there could affect demand very rapidly.

Lord Liddle: The noble Lord, Lord Davies, is absolutely right. In addition to infrastructure, I think that we need a more moderate pace of deficit reduction. The Commission argues that the fiscal compact gives you all the flexibility that you need in a crisis situation. That should be done. Secondly, we should be mobilising the structural funds to tackle the employment issues, particularly the fact that in countries such as Greece and Spain, getting on for half of young people are out of work which is completely unsustainable socially and politically. It is also the case that a major competitive weakness of southern Europe is the low skills level of its workforce. That must be addressed from Europe through the structural funds—a crash programme of social investment in human capital.

Thirdly, the eurozone needs more balance between the strong and the weak in the urgent competitiveness adjustments that it must make. Stronger countries such as Germany have room for manoeuvre. Noble Lords talked about higher wages for German workers, which are certainly affordable. German wages have gone up very little despite the country's enormous export success. I am glad that there is now a consensus between the Social Democrats and Christian Democrats on the introduction of a national minimum wage. Germany would have to tolerate only a bit more inflation to help the south, which is suffering debt-trapped deflation. That would enable the ECB to meet and maintain its target level of inflation of around 2% across the whole eurozone.

Our hope is that the political ramifications of the Hollande victory will result in a wider and bolder set of actions to build a stronger firewall, recapitalise the banks, adjust the pace of deficit reduction, offer immediate help on jobs and increase demand in countries with

surpluses. That will not get us out of the need to make harsh adjustments. However, if we continue with collective austerity it will lead to collective suicide.

What is the coalition's view? Is it still backing Mrs Merkel's priority of fiscal austerity, which has been its policy at home for the past two years? Or is it undergoing a latter-day Keynesian conversion to the need for growth in Europe? If the eurozone can have a plan B, can we not have one at home? That is what we need. It is very odd for a Eurosceptic Conservative Party to argue that it is all right to have additional public borrowing through the EIB and project bonds at European level, but that of course it would be a complete disaster to tolerate any flexibility in the public borrowing of the UK. I find this an amusing contradiction in the present situation.

That confusion and contradiction, with a sharp eye for public relations, have been characteristic of the Government's conduct of their European policy. As the noble Lord, Lord Williamson, said, they treat the eurozone as a convenient whipping boy to cover their own failures. As we know, last year growth in the eurozone was higher than in the UK. I am interpreting what the noble Lord, Lord Williamson, said.

Lord Williamson of Horton: It was a rather broad interpretation: the size of the Atlantic.

Lord Liddle: I apologise to the noble Lord, but the point is surely valid. Growth last year in the eurozone was twice that in the UK. Therefore, to blame the eurozone for the present double dip is nonsense.

The big point that the Eurosceptics fail to understand is that we cannot avoid the consequences of the euro by being out of it. In or out, our future is deeply affected because of our exports and the interlinking of our financial system. As Robert Chote said, if Greece exits, who knows what will happen? We may never in the foreseeable future recover the level of output that we had in 2008. A policy of splendid isolation from the continent was never realistic for Britain, but in the world of globalisation and economic integration it does not work at all.

Nor is our isolation very splendid. We are losing influence and clout in Europe to a dangerous degree. I will give one telling illustration. The Prime Minister claimed that the reason he used the veto and walked out of the December European meeting was that his partners would not accept a set of proposals that he tabled at 2 am in order to protect the City of London. A couple of weeks ago, on the capital requirements directive, the Chancellor, George Osborne, and the British for the first time found themselves outvoted by 26 to one at ECOFIN on a key question of financial regulation. The Chancellor has now recognised that he has to go along with the majority. That is not an effective use of the British veto. It just shows how influence is draining away from us at the moment.

Lord Flight: I was under the impression that the Chancellor had eventually obtained agreement to his point, which was that there could be some flexibility in the capital ratio of banks, with a view to the UK being rather more demanding than the rest of the EU.

Lord Liddle: I am sure that that is the Chancellor's interpretation.

I recognise that there are some distinguished Members of this House who are long-term supporters of British membership of the European Union, but I never believed that the euro could be made to work. We had wonderful speeches from the noble Lords, Lord Lamont and Lord Lawson, but I do not agree with what the noble Lord, Lord Lawson, said. He said that monetary union will work only if you have what the Germans call the coronation theory—the customs union first, the political union and then the monetary union to crown it.

I recognise that the euro was set up on a flawed basis. I thought that as the problems occurred they would be addressed incrementally and that reforms would be introduced that would make the system work. The trouble is that we have had a cushy decade of total complacency—it was a cushy decade for the UK as much as it was for the eurozone—in which the impetus for reform was completely lost. Short of federal union, if the eurozone took the kind of steps that Labour is advocating now it would have a viable future.

Lord Reid of Cardowan: Would my noble colleague consider that perhaps the problem was not complacency but precisely the assumptions that he has outlined to us: that as problems arose, incrementally we would go towards a central state in Europe and no one would ask the peoples of the nations of Europe? That is precisely the problem because what is being suggested now is one of these huge incremental steps. I promise him that there will be a reaction of nationalism in Europe because it will require not only centralisation but the imposition of austerity from the centre. We will create the very conditions that caused such resentment in Germany in the 1920s and 1930s.

Lord Liddle: I have the greatest respect for my noble friend Lord Reid, and in my life I have learnt an awful lot from him. However, his assumption that the only alternative to where we are now is a central state is fallacious. What have been lacking in the past 10 years are the incremental reforms of the kind that I have outlined that would have made the euro work.

I have gone on too long. I believe the consequences of a euro break-up, which some noble Lords seem to want to will on, would be horrendous. Eurosceptics make a fundamental mistake in thinking that for a country such as Greece, exit from the euro would solve its problems. A lot of British people think that it would be a classic devaluation, rather like our exit from the ERM in 1992. It would be nothing like that. Ordinary people's savings would be wiped out as the Greek banks collapsed. There would be severe additional spending cuts, because with all borrowing cut off the Government would be unable to finance the deficit. They would have to cut welfare benefits and public pay. The new currency would plummet in value because there would be no private inflows of capital to sustain the balance of payments. It would be an economic disaster zone.

There would be huge social tensions between the better-off, who had already got their money out of the country, and the wage earners, the poor and the unemployed, who would have to live on the devalued

drachma. We would see—here I agree with my noble friend Lord Anderson—the emergence of a failed state on Europe's south-eastern flank, with incalculable consequences for relationships with Cyprus, Turkey and the rest of the Balkans. As my noble friend Lord Reid knows well, this is a part of the world on which we have spent blood and treasure over the past two decades to try to stabilise. Kick the Greeks out of the euro, and what are we going to do about stability in the Balkans? It is just too awful to contemplate. That is why the euro must, and can, be saved—if we adopt the right policies to do so.

The noble Lord, Lord Dobbs, spoke eloquently about his lessons of history. My lesson would be that a Greek exit would be followed by competitive devaluation, protectionism, a run on other countries, terrible contagion problems and an outbreak of nationalism. Conceivably, it could return Europe to the inter-war years, so I want Britain to play a constructive, committed and engaged role in trying to make this thing work, not a carping, hectoring and lecturing one. We need a rescue, we need the ESM, and that is why we need this Bill.

7.42 pm

Lord Howell of Guildford: My Lords, I congratulate your Lordships on the sweep of their comments and magnificence of oratory in addressing this very modest Bill. I have listened with something verging on pleasure to the expositions of the noble Lord, Lord Liddle. They were very eloquent, but whether they related precisely to the policy of Her Majesty's Opposition I am not so clear, and whether they related much to the Bill I am not so clear about either. But it was good stuff and I thank the noble Lord for his contribution.

I want to emphasise that many of the issues have given us a marvellous opportunity to air in your Lordships' House the bigger issues surrounding the whole story of the eurozone and how it fits into the European Union, as well as how the European Union is or is not evolving to meet the challenges of the 21st century. I am not going to take the centre stage about Europe, much as I would love to do so, but will merely concentrate on aspects of the Bill.

There is no illusion about this Bill and we do not see it as magic medicine. We simply believe that it will help to order rather than disorder whichever way things go, and who can tell? Experts say they know the answer. We have been told by my noble friend Lord Lamont that it has all been priced into the market, which is wonderful if that is the case, but sometimes the market can get things terribly wrong. We believe that the Bill can make a net contribution, perhaps quite a substantial one, to the pattern of order rather than disorder. I put it no higher than that and make no greater claims for it.

Perhaps I may remind noble Lords of why we have a Bill before us at all. It is because of the increased public and parliamentary control over EU treaty changes that we committed to in the coalition agreement—it was the coalition that put that forward—and delivered through the European Union Act 2011. Therefore, this treaty amendment requires primary legislation. The amendment has already been considered and was debated by Parliament and passed by both Houses last

[LORD HOWELL OF GUILDFORD]

March; there was no opposition in the House at that time. The arguments for the treaty amendment were relevant then and, in a sense, as the bigger crisis has grown and the uncertainties confronting us have magnified, the case for making a move of this kind as a contribution to trying to steady the situation and stabilise an unstable pattern is stronger than it was even when we debated it 14 months ago.

As I explained at the beginning, in return for agreeing to the treaty amendment the Prime Minister secured that once the ESM is established, Article 122(2), on which basis the EFSM was established, should no longer be used for such purposes. Therefore, our liability for future euro area financial assistance programmes under the EU budget will be removed, and that is directly in our interest.

My noble friend Lord Lamont asked just how solid this Article 122(2) decision is. He is right that it is a political decision and not a treaty agreement, but the decision itself, under Recital 4, says very clearly that Article 122(2) should not be used. That was a unanimous decision of all 27 members of the European Union and it would require a unanimous decision to undo it. My noble friend Lord Lamont can still say that is not as good as the absolute of being locked into a treaty, but it is almost impossible to imagine how we would proceed with undoing a unanimous decision, which very clearly has been made in very good faith and is underpinned by the unanimity rule of the European Union. I hope that reassures him. It probably will not reassure him completely, but that is a very firm and clear position.

Secondly, as the European crisis has gone from bad to worse, this is plainly having a chilling effect on the economy. I do not quite see how anyone can avoid that obvious fact. As the Prime Minister, the Foreign Secretary and the Chancellor have repeatedly made clear, stability in the eurozone states—and I choose my words carefully—is directly in the UK's interest. If there was growth in the European economies rather than the stagnation and indeed the shrinkage that are now being predicted, that would be one of the keys to growth in the UK economy.

We rely on the eurozone countries for a very large part of our trade—40% is the estimate; it is more for the total of the European Union—and it is only part of the picture. Restored, confident stability in the eurozone states is directly in our national interest, and the resolution of the eurozone debt crisis would be a major boost to confidence in the British economy. I do not know whether it is priced into the market; some people say that it is beginning to be so.

Those are my broad comments. I have not gone nearly as far as some of your Lordships in discussing the whole history of the scene, and there have been some fascinating speeches from my noble friend Lord Dobbs and many others about the past, but those are the immediate considerations that we are looking at with this two-clause Bill.

I will now turn to some of the points made. If I do not refer to every speech, it is not because I do not think that some of the speeches were quite brilliant but because they perhaps did not raise precise questions but merely added their wisdom to the general debate.

The noble Lord, Lord Radice, began by saying that we should not stand aloof. I do not think that we are standing aloof. This Article 136 change alone is proof that we are not standing aloof and that we are providing not just comfort but a sound legal base for eurozone countries to go ahead with the ESM. Eurozone countries believe, although others would dispute it, that the ESM is one of the building blocks of the essential firewall to hold the eurozone together; or, as some speculate, if one country was breaking away, the ESM would hold it together even more firmly against further contagion.

I therefore do not think that the suggestion of aloofness stands, combined as it is with the more general view asserted by several of your Lordships that we are disengaged from our role in the European Union region. That is not true. My right honourable friend the Foreign Secretary and indeed the whole Government have argued, rightly, that the great growth is increasingly going to come in Asia, Africa and the emerging markets. We must therefore pay attention to those, but not to the exclusion of the fact that we live in a very vital and potentially dynamic area full of creativity and attractions, and that we must somehow see its revival.

I have before me a list here of some of the growth initiatives that the UK Government are currently pressing. For all I know, these things may be discussed around the dinner table at the informal European Council meeting tonight. We have pressed very hard on the completion of the digital single market, which we think would see a 4% increase in the EU GDP over a 10-year period, and want to see it completed. We want to see full implementation of the services directive, which could add a further 1.8% to GDP. We are pressing for the completion of all open bilateral EU trade deals, which would add another €60 billion to the EU economy. A deal with the US, if we can bring it off, would be bigger than any other free trade agreement. We want the Commission to commit itself to a much more vigorous, new programme to reduce the overall regulatory burden. Those are just some of the growth points we are pushing and I think we will make some progress on all of them. To talk in terms of aloofness is not to represent the situation as it truly is.

My noble friend Lady Falkner rightly said that the Greek default is not easy—people talk about the possibilities of Greek default perhaps a little cavalierly, without being entirely clear whether we are talking about a nation going gently downstream through some mild rapids or being pushed over Niagara Falls. It might be either, and one has to be realistically responsible in analysing that and understanding that possibility.

I have already mentioned my noble friend Lord Lamont in relation to Article 122 and pricing in the markets. He asked me a series of very important questions about the ESM, which I am not deliberately ducking. I have here some very elaborate notes answering those questions on the ESM treaty, but we are not talking about that tonight. That is an intergovernmental treaty between the eurozone countries. We are talking about the treaty change that we are undertaking in Article 136. I hope that he will forgive me, and other noble Lords will understand, if I do not read out all

the details about AAA securities and other aspects of the ESM treaty. I will write to him in so far as I can answer them, but they are matters for the eurozone and not for this Bill.

The noble Lord, Lord Giddens, whose speeches I always enjoy, came again to this familiar theme that somehow Britain is marginal. I must say that I find this whole concept of being marginal to the problems of the eurozone yesterday's argument and very dated. Many people now see this island, the United Kingdom—or these islands—as a safe haven, into which money, investment and wealth are pouring at a considerable rate. What does he mean by marginal? One could argue that a harbour that is reasonably well protected is marginal to the storm outside. It is not—it is merely the safe place to which people are going to come. Of course, he is right that if we are going to see the new fiscal pact lead to major political developments in the eurozone—and there is obvious dispute in this Chamber as to whether it will lead that way or to further fragmentation—then we are getting an evolving and new kind of Europe. I hope everyone will contribute to the debate on how that new kind of Europe should be best organised to meet the challenges of the 21st century. That is what I would say to the marginalists who keep on about isolation and so on. I do not think that is a realistic view of the situation.

The noble Lord, Lord Lawson, and I had a good-natured hair-splitting about whether I was arguing one thing or another. I hope that I have made it clear that we are talking about the eurozone countries. The euro currency is another matter but he must concede, as I am sure that all your Lordships concede, that in the states that happen to be European states—including our great neighbours France and Germany—what happens to them and their economies clearly affects our country in a very big way. I do not think that that can be questioned.

My noble friend Lord Flight asked about the EFSM and whether it is cash. It is €48 billion of loans to Portugal and Ireland, at the moment, and the intention is that they will be repaid. We would be liable for 14.6% of anything that was not repaid but that would balloon up to the sort of figure referred to in the document that he mentioned only if every single one of the countries, except us, defaulted. It is technically true that we would then be liable but that seems to be so unlikely as to be on the verge of absurdity. Exposure to the ECB is only for a capital contribution for its operating costs, which is €58 million—not billions but millions. By the standards of these huge sums we are talking about, that is a fairly limited sum. Because we are a non-eurozone member, our liability does not go beyond that.

I think that my noble friend spoke about the EIB, which is a bank where there have been no defaulted loans at all. It has €43 billion of our capital and we would be in danger of exposure to that only if the bank itself was in danger, which it clearly is not. He may or may not have spoken about the EU balance of payments facility, which has been raised. It may have been raised in the document we talked about, but it is only for non-euro members. The liability arises with members who are not members of the eurozone, so it does not really arise in this case.

The noble Lord, Lord Stoddart, then made a speech which did not surprise me. He is a valiant trooper and worker in his own seam and of his own view, which he has put over the years. I admire valiance and courage even when I do not agree with it. He asked why we were not having a referendum when the Irish were. Of course, the Irish are having a referendum not on Article 136 but on the fiscal compact, which is somewhat different.

My noble friend Lord Dobbs made an excellent speech which I thoroughly enjoyed. The noble Lord, Lord Davies of Stamford, began by saying that he was very happy, which alarmed me, but he soon got on to the unhappy part and seemed to be asking why we were not more part of this system. The implication was, "Why aren't we in the eurozone?". I do not think we need argue that out at the moment. We are very glad that we are not in the eurozone.

My noble friend Lord Dundee talked about co-ordination between the Council of Europe and the EU. His work on the Council of Europe has been marvellous and I see what he was getting at, but it does not directly arise from the actual Bill.

The noble Lord, Lord Hannay, is right that I was surprised and delighted—I think that is the phrase—that he gave support. I was all set to debate with him something he said the other night: that he did not understand the concept of network power. I will take him aside on another occasion and explain to him that this is a very important concept. I would like brilliant minds such as his to engage with it to realise how we handle the positions of this country in the future, which is not entirely by relying on the blocs and alliances of the 20th century but by moving on.

There were other excellent speeches, which I must be forgiven for not commenting on in detail, from my noble friend Lord Risby and from the noble Lords, Lord Anderson and Lord Reid. The noble Lord, Lord Reid, particularly echoed a fundamental view put so trenchantly by my noble friend Lord Lawson that this can never fly: that the eurozone is fundamentally flawed and will do nothing but bring more division and difficulty. That is a view but it is not the view of the Government, because we are not sure how things are going to work out. Anyone who claims that they are sure is misleading. We would like to see the eurozone system stabilised in one way or another. We think that there are great dangers for us all in not doing so. How that will be developed and what Mrs Merkel and the German Government will decide about the short-term question of their flexibility in relation to the Greek bailout terms are questions hanging in the air that I cannot answer from this Dispatch Box; and nor, I think, can anybody else. We believe that current events have demonstrated the importance of credible policy action to attempt to maintain and restore market confidence, which is clearly weak. We think now is the time to act. The eurozone has to take some kind of concerted action to sort itself out, and this legislation allows it to take a step in the right direction.

The treaty amendment is very much in this country's interest. The establishment of the ESM by the eurozone member states will remove the UK's liability for future

[LORD HOWELL OF GUILDFORD]

euro area financial assistance programmes under the EU budget. Establishing the ESM, with the support of this Bill, will help eurozone member states find the path to the financial stability that in the end they must have. If they fail to have it, it will damage us all. That path to stability will have benefits for the UK and beyond. The ESM is only part of the way forward out

of the eurozone crisis, but it is an important and valuable one. I therefore hope that your Lordships will share my views on this legislation.

Bill read a second time and committed to a Committee of the Whole House.

House adjourned at 8.02 pm.

Written Statements

Wednesday 23 May 2012

Climate Change: State of the Estate Report Statement

Lord Wallace of Saltaire: My right honourable friend the Minister for the Cabinet Office and Paymaster General (Francis Maude) has made the following Written Ministerial Statement:

I have today laid before Parliament, pursuant to Section 86 of the Climate Change Act 2008, *The State of the Estate in 2011*. This report provides an assessment of the efficiency and sustainability of the Government's civil estate and records the progress that Government are making in this area. The report is published on an annual basis.

Consulates: Death Procedures Statement

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

On 17 April I informed the House that we would review our procedures for alerting Ministers to the death of British nationals abroad.

I can now inform the House that this review has been completed. While I am satisfied that, in the case of the death of Neil Heywood in China, consular staff followed the guidance that was in place at the time, I have also concluded that more detailed guidance would help staff decide when to inform Ministers of deaths in future. I have therefore asked that internal guidance for consular staff on the death of British nationals overseas be amended to ensure consideration is given to whether:

a need exists, or may arise later, for Ministers to take action with the foreign government to ensure appropriate handling of the case (eg because of any uncertainty over the cause of death);

there is a high level of pressure from the family to do something different from established consular policy;

relevant ministerial travel or other engagements is planned, especially if a visit is taking place or is pending, including consideration of the personal connections of people the Minister might meet in the UK or overseas;

strong UK and local media interest is likely (especially if a Minister is travelling);

significant parliamentary/constituency MP interest in the case is likely;

there is any credible rumour or speculation surrounding the case which would significantly affect the nature of the consular support the FCO would provide;

there are any other risks if Ministers are not informed.

If this revised guidance had been in place at the time of Neil Heywood's death, I believe that Ministers would have been informed earlier than 7 February.

I have arranged for a copy of the revised consular guidance to be placed in the Library of the House.

I should also like to use this opportunity to correct a factual reference in my Written Ministerial Statement of 17 April concerning the request by our ambassador in Beijing to the Chinese authorities to mount an investigation into the death of Neil Heywood. The statement: "Our ambassador repeated the request a week later to the director general for Europe" should have read "Our ambassador repeated the request on 5 March to the director general for Consular Affairs".

ECOFIN Statement

The Commercial Secretary to the Treasury (Lord Sassoon): My right honourable friend the Chancellor of the Exchequer (George Osborne) has today made the following Written Ministerial Statement.

The Economic and Financial Affairs Council was held in Brussels on 15 May 2012. Ministers discussed the following items:

Revised capital requirements rules (CRD IV)

The presidency presented a proposal for a general approach on the CRD IV directive and regulation, which was followed by a ministerial discussion. Following substantial changes made to the proposal during negotiations at the 2 May ECOFIN and a critical revision in the run up to this ECOFIN, I was able to join the rest of the council in agreeing the presidency proposal. These changes will ensure that: the Government will be able to implement the recommendations of the Vickers review in full; that Europe as a whole will be able to implement Basel III; and that the Government will have the necessary freedom to carry out our macro-prudential policy objectives.

The presidency will now start negotiations with the European Parliament, on the basis of the council's general approach. The aim is to reach agreement on the texts at first reading, if possible by June, as requested by the European Council in March.

Negotiating Mandate for savings taxation agreements with third countries

The presidency introduced a recommendation for a council decision to adopt the mandate for the Commission to negotiate amended savings agreements with five third countries. During the discussion Luxembourg and Austria were unable to agree to the proposed mandate and the presidency concluded that it would not be possible to adopt the mandate at this meeting.

2012 Ageing report

The presidency introduced proposed council conclusions on the sustainability of public finances in the light of the 2012 ageing report. After a brief ministerial discussion the 2012 ageing report was endorsed and the conclusions were adopted by the council.

Fast start climate finance

The presidency introduced proposed council conclusions to endorse the Fast Start Finance report. The Commission highlighted that, despite the difficult economic situation and tight budgetary constraints, the EU was on track to meet its commitments and Ministers adopted the conclusions.

Draft General Budget for 2013

The council took note of a presentation by the Commission of its draft for the EU's general budget for 2013 and held an exchange of views on the proposal. The UK intervened to make clear that the Commission's proposed 6.8% increase was not realistic in the current climate, with member states making great efforts to reduce deficits at home, and that the EU should focus on improving the quality, rather than increasing the volume, of expenditure, reducing overbudgeting and finding greater efficiencies. Our intervention was supported by a number of other member states. The council will now look to establish its position on the draft budget by the end of July.

ECOFIN breakfast

Ministers were updated over breakfast on the European Commission's spring forecasts. Ministers were also debriefed on the Euro Group meeting of 14 May which discussed the economic situation in Spain and their three pronged strategy being implemented to: tackle regional fiscal deficits, implement structural reforms and reform the banking sector. The Greek delegation had also briefed euro area member states on the political situation in Greece.

Ministers also discussed the forthcoming election of a new president for the EBRD and were updated on the process that would be followed for the election on 18 May.

Finally, Ministers were updated by the EFC president on the progress being made in reducing European seats on the IMF board by two, as agreed at the Seoul G20 summit in 2010.

European Investment Bank (EIB) Board of Governors meeting

The EIB Board of Governors met prior to ECOFIN. In discussion, the president of the EIB noted that calls for growth orientated policies were becoming more frequent but, for the bank to increase its lending activity, it would have to increase its capital. It was also important to ensure the bank maintained its AAA rating. I intervened to stress the importance of maintaining the AAA rating and that this was critical to the organisation's effectiveness. However, I was willing to consider the arguments for supporting growth. I also stressed that any increase in lending should have a better geographical balance throughout the EU.

Ministerial dialogue with candidate countries

Ministers, over lunch, held an informal meeting with their counterparts from the EU accession and candidate countries—Croatia, Turkey, the Former Yugoslav Republic of Macedonia, Montenegro, Iceland and Serbia—focusing on the candidate countries' pre-accession economic programmes for the 2012-14 period.

Employment: Disabled People
Statement

The Parliamentary Under-Secretary of State, Department for Work and Pensions (Lord Freud): My honourable friend the Minister for Disabled People (Maria Miller) has made the following Written Ministerial Statement.

I would like to announce plans to launch a new wage incentive scheme in July this year. The wage incentive—worth up to £2,275 each—will be available to employers who recruit an 18-24 year-old disabled person from Work Choice into sustained employment. Work Choice is a specialist disability employment programme that provides tailored support to help disabled people who have the most complex support needs.

This extra support for young disabled people will sit alongside the Youth Contract, which currently offers a similar wage incentive for employers who recruit an 18-24 year-old from the Work Programme—the Government's leading back to work programme.

The aim of this wage incentive scheme is to incentivise employers into giving young disabled people participating on Work Choice a chance in a weaker market. This is at a time when they might be overlooked because of a lack of skills or experience and the scheme can therefore help reduce the scarring that young people face as a result of a recession. It provides valuable support to employers, in addition to the support to employer and disabled employee already provided through Work Choice in-work support or Access to Work.

EU: Education, Youth, Culture and Sport Council
Statement

Baroness Rawlings: My honourable friend the Minister for Culture, Communications and Creative Industries (Ed Vaizey) has made the following Written Ministerial Statement.

A meeting of the Education, Youth, Culture and Sport Council was held in Brussels on 10 and 11 May. I represented the UK at the culture and audiovisual sections of the council, together with Fiona Hyslop, the Scottish Minister for Culture and External Affairs. Shona Robison, the Scottish Minister for the Commonwealth Games and Sport, represented the UK for the sport section of the council.

Audiovisual

The council adopted, without discussion, conclusions on the digitisation and online accessibility of cultural material and digital preservation. These conclusions follow on from the conclusions on Europeana adopted by the council in 2010 and respond to a Commission recommendation on the digitisation and online accessibility of cultural material and digital preservation which was adopted in 2011. They identify key issues for further progress in this field and invite the member states, the Commission and Europeana to take further measures to ensure that progress in digitisation can be maintained. The UK supported the adoption of these conclusions.

Culture

The council adopted a partial general approach on the proposal for a regulation establishing the Europe for Citizens programme for 2014-20. This programme will follow on from an existing EU programme, but with a new legal base of Article 352 of the Treaty on the Functioning of the European Union. Under Section 8 of the European Union Act 2011, an Act of Parliament is required before the UK can consent to EU legislation based on Article 352. The UK therefore supported the adoption of the partial general approach but I informed the council that an Act of Parliament will be required. I also emphasised that in the current economic and financial climate we expect that the budget for the programme will be reduced from the level proposed by the Commission.

The council also adopted a decision designating Donostia-San Sebastián (Spain) and Wrocław (Poland) as the European Capitals of Culture for 2016.

Culture and audiovisual

The council adopted a partial general approach on the proposal for a regulation establishing the Creative Europe programme for 2014-20. This programme will follow on from the current Culture, Media and Media Mundus programmes. The partial general approach did not include the programme budget and the proposed new loan guarantee facility. The UK did not support the partial general approach, as it does not provide for selection decisions—ie decisions about which projects will be awarded EU funding under the programme—to be subject to member state scrutiny through the formal comitology arrangements. However, I was able to welcome other aspects of the proposal, in particular recognition of the increasing importance of the digital agenda and technological innovation in culture and media, and the increased scope for new synergies and cross-sectoral initiatives.

Ministers from other member states expressed broad support for the partial general approach. Most were also broadly supportive of the loan guarantee facility as a means of improving access to finance for small and medium-sized enterprises in the cultural and creative sectors. However, some raised questions and concerns about whether it should supplement or replace grant spending in the programme and about whether and how it would benefit smaller member states and organisations and how it would be implemented in practice. For the UK, I welcomed the opportunity to consider the issues relating to the loan guarantee facility in the light of developments in the negotiations on the multiannual financial framework.

Sport

The council adopted conclusions on combating doping in recreational sport. These conclusions refer to the European Union Work Plan for Sport for 2011-14 which highlight the fight against doping as a priority theme and established an expert group on anti-doping. They set out why doping in recreational sport is an important problem and support the extension of the mandate of the expert group to collate best practices and produce recommendations in this area by the end of 2013. The UK supported the adoption of these conclusions and they were adopted without debate.

The council also held a policy debate on future challenges in the fight against doping including in recreational sport. The UK recognised the important role which the EU and its member states have to play in the World Anti-Doping Agency (WADA) review of the World Anti-Doping Code, noting that Article 10 of the code (regarding the sanctioning of athletes) needs to be amended and that the UK is pushing for tougher future sanctions as part of the review process. The UK also set out its views on the issue of combating doping in recreational sport and noted that the education of athletes, particular younger athletes, is a key issue. The UK observed that the educational work carried out by UK Anti-Doping at the recent School Games was a good example of this.

Any Other Business

The German Minister introduced a paper on the draft Commission communication on state aid for films and other audiovisual work. This paper was co-authored with the UK, France and Austria. The German Minister commented that new criteria proposed in the Commission's draft communication would impose important restrictions on the film industry in Europe and there was a risk that large productions would begin to move away from Europe. In order to maintain Europe's competitiveness, the wording of the communication needed to be revised. I supported Germany's comments and noted that the film tax credit has been a huge success and that current territorialisation criteria (ie the obligation on producers to spend a specific part of their production budget in the territory offering aid) are working well. On aid intensity (ie the amount of aid available as a percentage of the production budget) I expressed our concern that the proposed new limits would impact negatively on the whole of Europe. In response, the Commission noted that the public consultation on the draft communication, which concludes on 14 June, provided an opportunity for member states and other interested parties to raise their concerns. The Commission did not intend to weaken the competitiveness of the European film industry.

The Commission briefly introduced the communication on a European Strategy for a Better Internet for Children which was published on 3 May and stressed the need for an EU-wide strategy to provide the same protection opportunities for all children and to avoid fragmentation.

The Commission also introduced its first report on the application of directive 2010/13/EU (the Audiovisual Media Services Directive) which was published on 7 May. The Commission stressed the importance of moving towards a digital single market and explained that it has set up a media futures forum which is intended to produce recommendations before the summer.

Finance: Enterprise Management Incentives Statement

The Commercial Secretary to the Treasury (Lord Sassoon): My honourable friend the Exchequer Secretary to the Treasury (David Gauke) has today made the following Written Ministerial Statement.

The Government announced in the Budget that the individual limit on qualifying EMI options will be increased from £120,000 to £250,000.

The Income Tax (Limits for Enterprise Management Incentives) Order 2012 (SI 2012 No.1360), giving effect to the increase, was laid before the House of Commons earlier today. The order will come into force on 16 June 2012 and apply to qualifying EMI options granted on or after that date.

Health: Patient Choice *Statement*

The Parliamentary Under-Secretary of State, Department of Health (Earl Howe): My right honourable friend the Secretary of State for Health (Andrew Lansley) has made the following Written Ministerial Statement.

Today I am publishing *Liberating the NHS: No Decision About Me, Without Me—Further Consultation on Proposals to Secure Shared Decision-Making*. This publication forms the Government's response to the *Liberating the NHS: Greater Choice and Control* consultation.

Liberating the NHS: No Decision About Me, Without Me sets out detailed proposals to implement the Government's commitment to giving patients more say over their care and treatment through more choice and control, informed by the consultation process. A further shorter consultation is to be carried out. A small number of focused consultation questions have been included which seek views on whether our proposals are realistic and achievable.

The accompanying document *Liberating the NHS: Greater Choice and Control—A Summary of Responses* summarises the large number of comments received during the consultation period. The Government consulted on broad proposals to implement the commitments to give patients and service users more choice and control over their care and treatment and to make the goal of "no decision about me, without me" a reality. The views of patients, the wider public, healthcare professionals and the NHS were sought on how these plans might best be achieved.

The NHS Future Forum ran a listening exercise between April and May 2011. Its recommendations and the Government's response to its report have been taken into account when producing our detailed proposals.

The final round of consultation will run for eight weeks. Views from patients, the wider public, organisations, health professionals and the NHS will again be sought.

Copies of the response and the summary or responses have been placed in the Library. Copies are available to honourable Members from the Vote Office and to noble Lords from the Printed Paper Office.

Maritime and Coastguard Agency: Business Plan *Statement*

Earl Attlee: My honourable friend the Parliamentary Under-Secretary of State for Transport (Mike Penning) has made the following Ministerial Statement.

I am pleased to announce the publication today of the business plan 2012-16 for the Maritime and Coastguard Agency (MCA).

The business plan sets out the services the agency will deliver over the next four years and the resources it will have available. This is a refresh of the plan the MCA first published last summer. The agency is also publishing a set of performance indicators for 2012-13.

Both documents will be available electronically on the MCA's website, and copies will be placed in the Libraries of both Houses.

Taxation *Statement*

The Commercial Secretary to the Treasury (Lord Sassoon): My honourable friend the Exchequer Secretary to the Treasury (David Gauke) has today made the following Written Ministerial Statement.

Budget 2012 announced that we would consult on requiring controlling persons who are integral to the running of an organisation to have PAYE and NICs deducted at source by the organisation by which they are engaged. As referred to in the Chief Secretary's Oral Statement earlier today and his review into *The Review of the Tax Arrangements of Public Sector Appointees*, we are today publishing this in the form of a consultation document on the taxation of controlling persons.

The consultation document is available on HMRC's website and copies have been placed in the Libraries of the House.

UK Space Agency: Performance Targets *Statement*

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills (Baroness Wilcox): My right honourable friend the Minister of State for Universities and Science (David Willetts) has today made the following Statement.

I have tasked the UK Space Agency to provide policy support to Ministers on civil space issues and to lead a civil space programme which delivers maximum economic, scientific, and policy benefits for the UK.

I have set the UK Space Agency the following key targets for 2012-13:

- to advise BIS on affordable options for UK participation in the ESA in readiness for the ESA ministerial planned for November 2012, setting out the advantages and disadvantages of the options;

- to ensure the ESA programme brings benefit to UK industry, and the research base;

- to implement the proposal for the £21 million investment in the low-cost constellation of operational small radar satellites (NovaSAR);

- to work with industry on amendments to reduce burdens placed on satellite operators, and based on the public consultation, set out a timeline to implement agreed proposals for change to the Outer Space Act; and

- to improve performance of the agency by implementing 2011-12 audit recommendations over the period 2012-13-2014-15.

Target measurement techniques:

- target 1—decisions made on investment proposed by November 2012. This will need both BIS and HMT agreement;

target 2—measured by the industrial return figures of ESA that reflect the work won by UK organisations against an ideal of return coefficient of 1;

target 3—a decision on the grant will be by June 2012, payment by March 2013, with the grant review open for the normal five year window;

target 4—consultation released in May 2012 and final plan by December 2012; and

target 5—improvement in agency performance will be reflected in audit reports in 2012-13 and 2013-14.

Waste Management: Radioactive Waste

Statement

The Parliamentary Under-Secretary of State, Department of Energy and Climate Change (Lord Marland): My honourable friend the Minister of State for Energy (Charles Hendry) has made the following Written Ministerial Statement.

In March I announced the commencement of the triennial review of the Committee on Radioactive Waste Management (CoRWM). Today I am announcing the findings of that review, which I am pleased to say support the continuation of CoRWM as the most appropriate body to undertake the hugely important work of independently advising and scrutinising the Government's managing radioactive waste safely (MRWS) programme.

The review has also looked at the governance arrangements for CoRWM in line with guidance on good corporate governance set out by the Cabinet Office and makes some recommendations to improve the appraisal of the committee chair and the training and development of committee members.

The final report of the triennial review of CoRWM can be found at: <http://mrws.decc.gov.uk> and I have made available copies in the Libraries of the House.

Written Answers

Wednesday 23 May 2012

Animal Welfare Act 2006

Question

Asked by *Lord Pearson of Rannoch*

To ask her Majesty's Government how many prosecutions have been brought under Section 4 of the Animal Welfare Act 2006 for actual harm caused to an animal by use of an electronic training collar; and how many of those have resulted in convictions.

[HL294]

The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Taylor of Holbeach): Centrally held statistics on prosecutions and convictions brought under Section 4 of the Animal Welfare Act 2006 do not record this level of detail.

Armed Forces: Aircraft

Question

Asked by *Lord Judd*

To ask her Majesty's Government whether, in the light of the intervention in Libya and their perception of the threats ahead, they will review the policy of providing no aircraft carrier capability for the next 10 years.

[HL303]

The Parliamentary Under-Secretary of State, Ministry of Defence (Lord Astor of Hever): Events in Libya showed that we were correct in our decision to maintain Tornado instead of Harrier so that we could conduct contingent operations and maintain support to operations in Afghanistan, something we could not have done with Harrier alone. It also demonstrated that we could in the short term make alternative arrangements for overseas basing. However, we do not believe that we can take that for granted in the longer term and this was why we are not prepared to accept a delay in regenerating Britain's carrier strike capability beyond the timetable set out in the Strategic Defence and Security Review and intend to start flying from the Queen Elizabeth Class Carrier in 2018.

Aviation: Flight Time Limitations

Questions

Asked by *Lord Empey*

To ask her Majesty's Government what proposals they have for the implementation of new flight time limitation rules as proposed by the European Aviation Safety Agency.

[HL80]

To ask her Majesty's Government how many additional hours commercial airline pilots may be required to work in any given duty period under the

new rules proposed by the European Aviation Safety Agency compared to the present system under the supervision of the Civil Aviation Authority. [HL81]

To ask her Majesty's Government whether the relevant trades unions representing airline pilots in the United Kingdom have agreed to the implementation of new rules on flight time limitations as proposed by the European Aviation Safety Agency. [HL82]

To ask her Majesty's Government what assessment they have made of how the new rules on flight time limitations proposed by the European Aviation Safety Agency compare to rules governing flight time limitations in the United States. [HL83]

To ask her Majesty's Government whether they have ascertained whether there is a medical consensus that the new rules on flight time limitations proposed by the European Aviation Safety Agency will ensure the same level of safety for the travelling public as the existing Civil Aviation Authority rules. [HL84]

Earl Attlee: The European Aviation Safety Agency (EASA) is still considering the responses to its consultation. We do not yet know what the final proposal will contain. We will consider our position, taking into account advice from the Civil Aviation Authority (CAA), once a final set of rules has been proposed. We will not support EASA's proposals if they do not provide an adequate level of protection against fatigue.

The relevant trades unions representing airlines pilots in the United Kingdom have responded to EASA's consultation; we are aware that they have some concerns on the proposals, which we have discussed with them.

Rules on flight time limitations in the United States differ on certain aspects from EASA's proposals. For example the US rules set lower flight duty periods at certain times of the day while the EASA proposals require significantly higher rest periods. We have not seen evidence that EASA's proposed requirements are less protective than those adopted in the US.

The CAA has reviewed the latest draft of the proposals published by EASA on 18 January and has advised that they would provide a level of safety that is broadly equivalent to that provided by the current UK rules. I am satisfied with the CAA's advice, which takes into account relevant operational, scientific and medical opinion.

Aviation: London Airports

Question

Asked by *Lord Laird*

To ask her Majesty's Government, further to the Written Answer by Lord Wallace of Saltaire on 23 April (WA 296-7) (1) whether they expect the number of flight departures from London airports over the next five years to continue to decline, (2) how they assess the value of new runways without centrally held information on the current numbers of transit flights into London, and (3) whether they will maintain such statistics in future.

[HL24]

Earl Attlee: (1) The Department for Transport (DfT) aviation forecasts are primarily prepared to inform long-term strategic aviation policy rather than provide detailed forecasts at individual airports. However these forecasts do include some airport level forecasts. Further detail can be found in the report, UK Aviation Forecasts, published in August 2011 on the DfT website at: <http://assets.dft.gov.uk/publications/uk-aviation-forecasts-2011/uk-aviation-forecasts.pdf>.

(2) The DfT uses an option appraisal framework consistent with other transport appraisal schemes, tailored to aviation to capture the costs and benefits of options being considered. This framework uses forecasts from the DfT's Aviation Demand Forecasting model to assess the level of demand at UK airports. One component of the forecasts is the number of passengers expected to transfer from one flight to another at UK airports. Further detail on the appraisal approach can be found on the DfT website at: <http://www.dft.gov.uk/webtag/documents/expert/unit3.18d.php>.

(3) The DfT uses a range of data sources to inform aviation policy. This includes detailed data from the Civil Aviation Authority (CAA), including flights, passengers and freight by airport as well as estimates of the number of transfer passengers. The CAA does not publish data on the number of transit flights, but data on the number of transit passengers can be found on its website at: <http://www.caa.co.uk/default.aspx?catid=80&pagetype=90>.

Banking *Question*

Asked by Lord Myners

To ask her Majesty's Government whether they will ask the Bank of England to produce and publish a paper on the economic and social consequences of cancelling the gilt edge securities acquired under the programme of quantitative easing; and what is their estimate as to the impact of such an action in reducing public sector debt as a percentage of gross domestic product and achieving their fiscal objectives. [HL178]

The Commercial Secretary to the Treasury (Lord Sassoon): The Monetary Policy Committee (MPC) has operational responsibility for monetary policy. The MPC makes decisions on its policy tools, including Quantitative Easing, or the stock of asset purchases financed by the issuance of central bank reserves, in order to meet the 2 per cent inflation target in the medium term.

The MPC is not being required to create money to finance the fiscal deficit or reduce the stock of outstanding government debt.

The separation of fiscal and monetary policy is a key feature of the UK's economic policy framework. To use monetary policy tools to meet fiscal objectives, such as financing government borrowing, could conflict with the MPC's objective of price stability and undermine confidence in the UK's monetary policy framework. Additionally, government borrowing from the central bank is illegal under Article 123 of the Treaty on the Functioning of the European Union.

Burma *Question*

Asked by The Lord Bishop of Derby

To ask her Majesty's Government whether trade sanctions against Burma will be lifted in light of recent democratic progress. [HL76]

The Minister of State, Foreign and Commonwealth Office (Lord Howell of Guildford): On 23 April, the European Union Foreign Affairs Council agreed to suspend all sanctions against Burma for 12 months, except for the arms embargo, which remains in place.

In recognition of the progress that has been made in Burma, and after careful consideration, the Government lifted their policy of discouraging trade with Burma on 26 April. We believe that at this moment in time the right kind of responsible trade and investment can aid Burma's transition.

Carers *Question*

Asked by Lord Hunt of Kings Heath

To ask her Majesty's Government what proposals they have to increase support to carers. [HL256]

The Parliamentary Under-Secretary of State, Department of Health (Earl Howe): The Government recognise the vital contribution that carers make to society, and have taken strong action to support them.

The cross Government Carers' Strategy, *Recognised, Valued and Supported: Next Steps for the Carers' Strategy* sets out the Government's vision and priorities for action over the next four years, focusing on what will have the biggest impact on carers' lives, including their health, social care, education and employment.

We have provided an additional £400 million to the National Health Service over four years from 2011, to provide carers with breaks from their caring responsibilities to sustain them in their caring role.

We also made almost £1 million available in 2011-12 to increase awareness and understanding of carers' needs for support, among those working in primary health care. Through this funding, the Royal College of General Practitioners, Carers UK and the Carers Trust are developing a range of training and awareness raising programmes for early identification of carers. We will be building on this in 2012-13.

Charity Emblems *Question*

Asked by Lord Rogan

To ask her Majesty's Government which, if any, prison authorities in the United Kingdom are instructing staff not to wear poppies or charity wristbands, including those for Help for Heroes. [HL49]

The Minister of State, Ministry of Justice (Lord McNally): The National Offender Management Service (NOMS) is responsible for private and public sector prisons in England and Wales. NOMS as an authority has never issued any instruction to staff that restricts the wearing of poppies or charity wrist bands by staff when they are on duty.

The Scottish Prison Service has confirmed that no instruction has been issued to their staff restricting the wearing of these items.

The Northern Ireland Prison Service will respond to you directly.

Children: Neglect

Question

Asked by **Lord Storey**

To ask her Majesty's Government whether they have any plans to review the definition of neglect in the Children and Young Persons Act 1933 to include emotional and educational concerns. [HL109]

The Parliamentary Under-Secretary of State for Schools (Lord Hill of Oareford): The earlier that help is given to vulnerable children and families, the more chance there is of turning lives around and protecting children from harm. The Government's vision is for a child-centred system that includes providing effective help when a problem arises at any stage in a child's life. This is one reason why we asked Professor Munro to carry out an independent review of child protection. She identified that services are often too reactive, and we are now helping children's services, the police and the NHS to work together and focus on early identification before problems escalate. We are also working with Ofsted to make sure their inspections look at whether children are getting the help they need.

Section 1 of the Children and Young Persons Act 1933 is not restricted solely to a child's physical needs and as such there are no plans to change the law in this area.

Local authorities have a statutory duty under Section 47 of the Children Act to investigate when there is reasonable cause to suspect that a child in their area is suffering or is likely to suffer significant harm. This would include the emotional abuse of a child, or the failure to provide him with suitable education. The Children Act 1989 imposes further duties on local authorities and courts to act to safeguard and promote the welfare of children who are being neglected, which would include failing to provide the child with an education, and emotionally abused.

The statutory guidance *Working Together to Safeguard Children* (2010) sets out the processes to be followed when there are concerns about a child's safety and welfare. These concerns may be serious enough to justify initiating action in the family court. The threshold criteria set out in the Section 31 of the Children Act 1989 is used by judges when deciding whether a child has suffered significant harm and should be the subject of a statutory care or supervision order.

Through revisions to the statutory guidance, *Working Together to Safeguard Children*, and the *Framework for the Assessment of Vulnerable Children and their Families*, we are exploring how best to reduce central

prescription to give local areas more freedom to determine how assessments are carried out. Our aim is to free social workers and other professionals from unnecessary bureaucracy so they have more time for better quality work with children and families.

However, statutory guidance itself is not sufficient to effect the change needed. We are undertaking a number of reforms to strengthen social work practice. This includes improving the social work degree and developing further the skills of existing social workers in critical areas such as child protection. We have advertised for and intend to appoint a chief social worker, who will work with the new College of Social Work and the newly designated principal child and family social workers in local authorities to drive improvement and raise standards. The department has also commissioned Action for Children and the University of Stirling to produce training materials to help equip the workforce to respond effectively to children who are likely to be, or have been, neglected. These materials will be published soon.

Children: Parenting

Questions

Asked by **Lord Kennedy of Southwark**

To ask her Majesty's Government whether Octavius Black discussed the Government's new parenting advice voucher scheme with (1) the Secretary of State for Education, (2) the Prime Minister, or (3) Steve Hilton, before the announcement was made.

[HL124]

To ask her Majesty's Government whether Octavius Black discussed the tendering process for the Government's new parenting advice voucher scheme with (1) the Secretary of State for Education, (2) the Prime Minister, or (3) Steve Hilton, before or during the tendering process.

[HL125]

To ask her Majesty's Government whether (1) the Secretary of State for Education, (2) the Prime Minister, or (3) Steve Hilton, met Octavius Black in an official meeting or at a social event during the tendering process for the Government's new parenting advice voucher scheme.

[HL126]

To ask her Majesty's Government what reassurances they have received that Parent Gym is a philanthropic programme, in the light of its inclusion as a provider of parenting classes in the Government's new voucher scheme.

[HL127]

To ask her Majesty's Government what were the details of the tendering process that Parent Gym went through to become one of the organisations delivering the Government's new parenting advice voucher scheme.

[HL128]

The Parliamentary Under-Secretary of State for Schools (Lord Hill of Oareford): All tender applications from organisations seeking to provide parenting classes as part of the CANparent trial were evaluated in a fair, open and competitive procurement process. Tender applications were submitted in response to an invitation to tender and associated evaluation criteria, which

were published in the Official Journal of the European Union and made widely available. Tenders were evaluated in two stages, the first assessing bidders' past experience and capacity to deliver and the second assessing their specific proposals to deliver parenting classes. Evaluation was carried out by officials against the published criteria, and advice on proposals was sought from independent experts. Bidders, including Parent Gym, were invited as appropriate, to attend clarification meetings, which further scrutinised their proposals.

Parent Gym's tender application was accepted solely on the basis of its scores against the published evaluation criteria. Ministers and special advisers were not directly involved in tendering or the evaluation process and contract award decisions were made by the officials on the Tender Board, on the basis of recommendations from the Tender Evaluation Panel.

Organisations bidding in the tender process were not required to be philanthropic or charitable organisations; this was not part of the evaluation criteria. Parent Gym's status as a philanthropic programme therefore had no bearing on its success in the tendering process. Parent Gym's philanthropic nature was made clear to the Department for Education in information provided as part of its tender application and in the subsequent clarification meeting.

Compensation: Pleural Plaques

Question

Asked by *Lord Alton of Liverpool*

To ask her Majesty's Government whether they intend to restore compensation to pleural plaques sufferers following the decisions by the Scottish Parliament and Northern Ireland Assembly to do so. [HL262]

The Minister of State, Ministry of Justice (Lord McNally): The Government understand that it could be seen as unfair for compensation to be available in one part of the United Kingdom but not in another. However, in the light of the current medical evidence, the Government do not consider it appropriate to overturn the House of Lords' judgment that the condition of pleural plaques is not compensatable under the civil law.

Criminal Injuries Compensation Scheme

Questions

Asked by *Lord Alton of Liverpool*

To ask her Majesty's Government how many awards under the Criminal Injuries Compensation Scheme were made to applicants with unspent criminal convictions in (1) 2008–09, (2) 2009–10, (3) 2010–11, and (4) 2011–12. [HL115]

To ask her Majesty's Government how many awards under the Criminal Injuries Compensation Scheme were withheld on the basis of applicants' unspent criminal convictions in (1) 2008–09, (2) 2009–10, (3) 2010–11 and (4) 2011–12. [HL116]

To ask her Majesty's Government how many awards under the Criminal Injuries Compensation Scheme were reduced on the basis of applicants' unspent criminal convictions in (1) 2008–09, (2) 2009–10, (3) 2010–11 and (4) 2011–12. [HL117]

The Minister of State, Ministry of Justice (Lord McNally): The figures are given in the table below. These figures reflect only cases where a claims officer reduced or withheld an award due to unspent convictions because that is the only data CICA's central database holds regarding criminal records. The current (2008) compensation scheme says that claims officers must refuse or reduce compensation where the applicant has unspent convictions unless there are exceptional reasons not do so. However, there are cases still being considered under previous schemes that did not make such reductions compulsory. The number of awards paid to those with unspent convictions is therefore likely to be higher.

<i>Financial Year</i>	<i>Number of awards reduced</i>	<i>Number of awards withheld</i>
2008-09	1,952	3,544
2009-10	2,837	4,674
2010-11	3,604	4,048
2011-12	2,775	3,989

David Simpson

Question

Asked by *Lord Alton of Liverpool*

To ask her Majesty's Government what assessment they have made regarding the arrest and imprisonment of David Simpson in the Central African Republic after he reported finding 18 mutilated bodies in that country; and what is their response to complaints made by Mr Simpson's family regarding the conduct of the Foreign and Commonwealth Office following that imprisonment. [HL204]

The Minister of State, Foreign and Commonwealth Office (Lord Howell of Guildford): We have been providing consular assistance to Mr Simpson, since the day of his arrest and have been in regular contact with his family in the UK. Consular officials are consulting with Mr Simpson's legal representatives to ensure that the local legal procedures are correctly followed and have asked Central African Republic authorities for assurances in this regard.

We recognise that this is a difficult and frustrating time for Mr Simpson's family. The Parliamentary Under-Secretary of State at the Foreign and Commonwealth Office (FCO) my honourable friend the Member for North West Norfolk (Mr Bellingham), has personally spoken to the Mr Simpson's family to offer assurances that the FCO is committed to seeing Mr Simpson's situation resolved.

Department for Transport: Executive Agencies

Question

Asked by *Lord Berkeley*

To ask her Majesty's Government, for each of (1) the Highways Agency, (2) the Vehicle Certification Agency, (3) the Government Car and Despatch Agency, (4) the Driver and Vehicle Licensing Agency, (5) the Vehicle and Operator Services Agency, (6) the Driving Standards Agency, (7) the Maritime and Coastguard Agency, (8) the Marine Accident Investigation Branch, and (9) the General Lighthouse Authorities, (a) what was the budget reduction target in 2010–11 and 2011–12, and (b) by what margin the target has been met or missed. [HL161]

Earl Attlee: The Department for Transport is allocated a budget settlement by HM Treasury through the Comprehensive Spending Review process. The settlement is a net budget figure inclusive of many factors such as growth funding, impact of new policies (increases and decreases), efficiency savings, inflation etc. As such it is not possible to provide a definitive "budget reduction target".

Some of the business units listed are trading funds (i.e. the Vehicle and Operator Services Agency, and the Driving Standards Agency) and are funded by income generated for the services they provide; this also applies to the General Lighthouse Authorities. Fees are set so that fee income covers expenditure.

For the other entities which are funded (wholly or partly) through departmental budgets, the budget settlement figures and net outturn expenditure for 2010-11 and 2011-12 are as follows:

2010-11	Budget £'000	Outturn £'000	Variance £'000
Highways Agency	3,502,185	3,316,629	185,556
Vehicle Certification Agency	91	224	(133)
Government Car and Despatch Agency	700	3,580	(2,880)
Driver and Vehicle Licensing Agency	240,319	190,396	49,923
Maritime and Coastguard Agency	142,567	130,778	11,789
Marine Accident Investigation Branch	4,173	3,892	281

2011-12	Budget £'000	Outturn £'000	Variance £'000
Highways Agency	3,302,874	3,171,801	131,073
Vehicle Certification Agency	240	142	98

2011-12	Budget £'000	Outturn £'000	Variance £'000
Government Car and Despatch Agency	3,600	7,604	(4,004)
Driver and Vehicle Licensing Agency	247,300	222,658	24,642
Maritime and Coastguard Agency	153,707	141,864	11,843
Marine Accident Investigation Branch	3,632	3,780	(148)

Digital Economy Act 2010

Questions

Asked by *Lord Whitty*

To ask her Majesty's Government what estimate they have made of the costs to universities, public libraries and wi-fi providers of implementing the provisions of the Digital Economy Act 2010. [HL36]

To ask her Majesty's Government what assessment has been made of the effects of the Digital Economy Act 2010 on the ability of public intermediaries to provide internet access to the public, with particular reference to public libraries and universities. [HL37]

To ask her Majesty's Government what clarification will be provided in the Initial Obligations Code for universities, public libraries and wi-fi providers on their responsibilities and obligations under the Digital Economy Act 2010. [HL38]

Baroness Rawlings: The Government have undertaken an impact assessment for implementation of the Initial Obligations Code, which considers the potential impact on organisations that provide internet access as a core part of their services. The actual obligations on these organisations will be known when Ofcom publishes its code for consultation later this year. However, the Digital Economy Act 2010 was introduced with the clear policy intention that there should be no category of organisations exempt from the obligations and the Government have not therefore singled out universities, public libraries and wi-fi providers for any special consideration in the code. As with any organisation, we expect libraries, universities and wi-fi providers to take their own measures to protect their networks from misuse.

Disabled People: Blue Badges

Question

Asked by *The Countess of Mar*

To ask her Majesty's Government, further to the Written Answer by Earl Attlee on 15 May (WA 3-4) in view of the statement that "eligibility for a badge under the 'with further assessment' criteria is not

condition specific”, whether they will remove those sections of the guidance that specify particular conditions in order to avoid discrimination. [HL179]

Earl Attlee: The guidance issued by the Department for Transport for local authorities is non-statutory. It makes it clear that each badge application should be treated on a case by case basis and that decisions about whether or not a person meets the eligibility criteria set out in the regulations are for the issuing local authority to make. The conditions quoted in the guidance are examples that are intended to improve consistency and to assist local authorities in ensuring that badges are issued to those people who are unable to walk or have very considerable difficulty walking.

The guidance is based on research that was carried out with a range of disabled people’s representatives, health care professionals and local authorities. Disabled people’s representatives were also consulted on a draft of the guidance before it was published.

Education: Cyberbullying

Question

Asked by **Lord Storey**

To ask her Majesty’s Government what procedures are in place, nationally and at school level, to protect teachers who are victims of cyberbullying. [HL200]

The Parliamentary Under-Secretary of State for Schools (Lord Hill of Oareford): It is for school governing bodies, and local authorities, as the employers of teaching staff, to ensure procedures are in place to protect teachers from cyberbullying. In carrying out these duties they can draw on a range of advice and guidance to help them make sure they have up to date policies, including material sign posted by the department on its website: <http://www.education.gov.uk/aboutdfe/advice/f0076899/preventing-and-tackling-bullying>.

Education: English

Questions

Asked by **Lord Quirk**

To ask her Majesty’s Government what action is being taken to increase the number of specialist English teachers in primary schools in response to the Ofsted report *Moving English Forward*. [HL153]

To ask her Majesty’s Government what action is being taken to improve the subject knowledge of English co-ordinators in primary schools in response to the Ofsted report *Moving English Forward*. [HL154]

To ask her Majesty’s Government what action is being taken to strengthen whole-school literacy work across the teaching in all subjects in response to the Ofsted report *Moving English Forward*. [HL157]

The Parliamentary Under-Secretary of State for Schools (Lord Hill of Oareford): We endorse the view that good subject knowledge is important for English teachers.

We intend to allocate more initial teacher training places to primary generalist courses with an additional specialism. Typically a trainee on one of these spends 80% of their time preparing for general primary teaching and 20% specialising in a subject, which could be English.

Good head teachers know the value of a whole-school, cross-subject approach to literacy work. We are supporting this through our review of the National Curriculum and changes to the syllabus and requirements for GCSE examinations. Ofsted’s new school inspection framework also places a stronger emphasis on pupils’ literacy skills across subjects at both primary and secondary level.

Asked by **Lord Quirk**

To ask her Majesty’s Government what action is being taken to improve transition and continuity in curriculum and assessment between key stages 2 and 3 in response to the Ofsted report *Moving English Forward*. [HL155]

Lord Hill of Oareford: This year, the Government are providing £50 million to fund summer schools for disadvantaged children (those eligible for free school meals or in public care). These schools will ease the transition between primary and secondary school for eligible pupils by allowing pupils to familiarise themselves with their new surroundings. Specific activities will vary according to the needs of the children involved, but may cover catch-up in English and mathematics and enrichment activity such as trips to museums or sports venues.

The Deputy Prime Minister announced on 14 May 2012 that the Education Endowment Foundation will shortly be inviting groups of schools to bid for additional funding for literacy catch up for disadvantaged Year 7 pupils who did not achieve the expected level (Level 4) at Key Stage 2. An additional £10 million will be provided for these projects. The projects will be evaluated and the results shared with all schools.

Lord Bew’s 2011 review into Key Stage 2 testing, assessment and accountability acknowledged the importance of providing information about attainment at the time of transition. We will encourage secondary schools to make wider use of this data to support new Year 7 pupils.

The new national curriculum for English will ensure that teachers prepare pupils for secondary school by ensuring their reading is sufficiently fluent and effortless, and that they have a conscious control over their writing in order to manage the general demands of the curriculum in Year 7, across all subjects.

Asked by **Lord Quirk**

To ask her Majesty’s Government what action they are taking to improve the teaching of handwriting, especially amongst boys, in the light of the Ofsted report *Moving English Forward*. [HL164]

Lord Hill of Oareford: We agree with Ofsted's recommendation to publish research on writing. We are drawing together the current research and plan to publish an overview in the coming months.

Mastering accurate and proficient handwriting is a vital part of all pupils' education and the Government are keen to strengthen the approach to this essential skill within the new National Curriculum. We expect to publish draft programmes of study for public consultation, including those for primary English, later this year.

Following a recommendation from Lord Bew's report into Key Stage 2 testing, assessment and accountability, we are introducing a new grammar, punctuation and spelling test at Key Stage 2 in 2013. We are considering whether to include an assessment of handwriting in the test and a decision on this will be made in the summer.

Elections: Returning Officers

Question

Asked by **Lord Rennard**

To ask her Majesty's Government what was the cost of fees paid to returning officers for the general election in 2010 and the European parliamentary elections of 2009. [HL150]

Lord Wallace of Saltaire: The maximum recoverable amounts which returning officers were entitled to claim for their services and expenses in conducting the general election in 2010 and the European parliamentary elections of 2009 are set out in Statutory Orders that are made by the Secretary of State prior to the date of the poll.

The relevant orders are the Parliamentary Elections (Returning Officers' Charges) Order 2010, the European Parliamentary Elections (Local Returning Officer's Charges) England, Wales and Gibraltar Order 2009 and the European Parliamentary Elections (Returning Officer's Charges) Order 2009. The orders can be found at:

<http://www.legislation.gov.uk/uksi/2010/830/contents/made>

<http://www.legislation.gov.uk/uksi/2009/1077/contents/made>

<http://www.legislation.gov.uk/uksi/2009/1069/contents/made>

The overall maximum recoverable amounts that could be claimed by returning officers in England and Wales were £2,019,680 for the 2010 UK parliamentary election, and a total of £2,152,046, which was allocated for local and regional returning officers for their services at the 2009 European parliamentary elections.

However, as the figures listed in the Charges Order are maximum recoverable amounts, we will only know the actual totals claimed once all claims from returning officers have been settled for both polls. Although it can be noted that following the settlement of 90% claims from the 2010 UK parliamentary election and 99% for the 2009 European parliamentary election the respective amounts of £1,763,130 and £12,036,265 have been paid out to date to returning officers for their services in running the polls.

Embryology

Question

Asked by **Lord Alton of Liverpool**

To ask her Majesty's Government further to the Written Answers by Earl Howe on 22 November 2011 (WA 222) and 30 November 2011 (WA 69), whether the Human Fertilisation and Embryology Authority's compliance and enforcement policy requires an individual who is neither employed nor licensed by the authority to personally identify a sperm donor whose sperm was used in research without his consent and to contact that person, so that the authority could then check the donor register and inform the centre concerned of the donor's identity, so that the centre concerned could then check their records to ascertain whether the sperm donor was retrospectively contacted and inform the authority accordingly, such that the authority might be able to confirm whether the sperm donor was contacted regarding the use of his sperm in research; and, if so, which part does so. [HL58]

The Parliamentary Under-Secretary of State, Department of Health (Earl Howe): The Human Fertilisation and Embryology Authority has advised that its compliance and enforcement policy applies to all cases where the authority has become aware of a centre's non-compliance, whether through an inspection or otherwise. The compliance policy does not explicitly deal with the example described by the noble Lord.

Finance: Transparency

Question

Asked by **The Lord Bishop of Derby**

To ask her Majesty's Government what measures are in place to encourage financial transparency through the disclosure of profits and payable tax by multinational companies in the United Kingdom. [HL75]

The Commercial Secretary to the Treasury (Lord Sassoon): The Government welcomes efforts by UK businesses to increase transparency on how much tax they pay and encourages efforts to go further to help build public support for, and confidence in, a fair and competitive tax system.

In the UK, all incorporated businesses (companies) are required to publish their financial statements annually and to file these with Companies House. The financial statements include details of a company's profit for the accounting period in question.

Health: Diabetes

Question

Asked by **Lord Kennedy of Southwark**

To ask her Majesty's Government what assessment they have made of the Diabetes UK report *State of the Nation 2012*. [HL182]

The Parliamentary Under-Secretary of State, Department of Health (Earl Howe): We welcome the Diabetes UK publication *State of the Nation 2012*. The report has highlighted areas of achievement and for improvement. The National Health Service should take note of the recommendations and look to reduce the significant variation that exists in some of the care processes that are key for the effective management of people with diabetes.

We are developing an outcomes strategy for long-term conditions. A companion document will be published on diabetes alongside the strategy at the end of 2012. We are also developing a cardiovascular outcome strategy and that will set out the important links between cardiovascular disease and diabetes.

Health: Podiatry

Questions

Asked by **Lord Morris of Manchester**

To ask her Majesty's Government whether they will be meeting the Society of Chiropodists and Podiatrists to discuss the variation across the National Health Service in both the incidence of lower limb amputations and the number of podiatrists employed. [HL233]

To ask her Majesty's Government how many home visits by podiatrists were commissioned by the National Health Service in each of the past five years; and whether they regard the provision of such services to be an essential part of the National Health Service. [HL234]

The Parliamentary Under-Secretary of State, Department of Health (Earl Howe): The Minister of State, Mr Paul Burstow, has agreed to meet with the Society of Chiropodists and Podiatrists to discuss foot care.

The information requested is not collected centrally. It is the responsibility of local National Health Service organisations to commission services to meet the needs of their community including the provision of podiatry services.

Higher Education: Funding

Question

Asked by **Lord Laird**

To ask her Majesty's Government whether they will adjust the Scottish block grant relating to spending on universities when free tuition is granted in Scotland to Northern Ireland students on production of an Irish passport and not through ascertaining the student's country of residence. [HL68]

The Commercial Secretary to the Treasury (Lord Sassoon): Education is a matter devolved to the Scottish Government. Once overall public expenditure budgets have been determined, the devolved Administrations have freedom to make their own spending decisions on devolved programmes within their overall totals.

Homosexuality

Question

Asked by **Lord Roberts of Llandudno**

To ask her Majesty's Government what discussions they have had with governments in the Commonwealth nations that have not reformed legislation banning homosexuality. [HL211]

The Minister of State, Foreign and Commonwealth Office (Lord Howell of Guildford): In Uganda, the Parliamentary Under-Secretary of State at the Foreign and Commonwealth Office, my honourable friend the Member for North West Norfolk (Mr Bellingham) raised with President Museveni our concerns about a Private Members Bill to strengthen anti-homosexuality legislation, and we will continue to raise this at the most senior levels of the Ugandan Government.

In Nigeria, our High Commission in Abuja raised our objection to the Same Sex Marriage Prohibition Bill with the Chief of Staff to the President of the Senate and directly with the House of Representatives. We also supported a demarche by the European Union working group on human rights who raised with the Senate Committee on Judiciary, Human Rights and Legal Affairs concerns about lesbian, gay, bisexual and transgender rights.

In Jamaica, our High Commission has raised the issue of Jamaica's legislation regarding homosexuality with the new government, including the Prime Minister.

The Commonwealth is a valuable partner in promoting human rights globally, and in helping to deliver UK human rights policy. We are committed to working with the Commonwealth and its partners to help them uphold values of human rights, rule of law, democracy and development. We regularly raise human rights issues with the Commonwealth Secretariat and with member states. We seek to increase debate on these issues, including on sexual orientation or gender identity, within and among Commonwealth countries.

Housing

Questions

Asked by **Lord Whitty**

To ask her Majesty's Government, in the light of their policy on Right to Buy, what is their assessment of the likely average revenue per unit to local authorities from additional Right to Buy sales which would then be available for investment in new social housing. [HL34]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Hanham): We have estimated that on average around £40,000 of receipts will be available from additional Right to Buy sales for investment in new homes at affordable rent.

The actual receipt will vary for each property, depending on the value of the property and the length of tenancy.

Asked by Lord Kennedy of Southwark

To ask her Majesty's Government what assessment have they made of the adequacy of the options available to first-time home buyers in London.

[HL237]

Baroness Hanham: Across England, the Government have committed to supporting people to achieve their aspirations and feel the pride of home ownership. From 1 April 2012, the Mayor of London has been responsible for strategic housing, regeneration and economic development in London.

We recognise the particular challenges faced by first-time buyers, and we are providing a range of options intended to help them and others into home ownership, including:

shared ownership, which helps people unable to buy a home without assistance to purchase a minimum 25% share paying rent on the remainder;

the FirstBuy equity loan scheme, jointly funded by the Government and participating developers, which will help almost 10,500 aspiring home owners by spring 2013. The 20% equity loan can reduce the deposit needed to just 5%; and

the NewBuy Guarantee Scheme, which will provide up to 100,000 prospective buyers—including first time buyers—with access to 95% loan to value mortgages on new build properties, delivering a significant boost to housing supply;

the reinvigorated Right to Buy scheme, with the new discount cap of £75,000, which will also help more people—including first time buyers—to realise their aspiration for home ownership.

The Government are committed to reducing the UK's burden of debt and abolishing the structural deficit. This will help to keep interest rates low and improve credit availability, freeing up lending for first-time buyers.

Asked by Lord Myners

To ask her Majesty's Government how many home purchases have been completed under the NewBuy Scheme announced in the Autumn Statement.

[HL291]

Baroness Hanham: Quality assured data on the total number of completions under the industry-led NewBuy Guarantee scheme is not yet available to Government. Government expect to make this information available from September 2012.

The Home Builders Federation suggests that around 400 people have reserved new homes through the scheme in its first nine weeks of operation: <http://www.hbf.co.uk/media-centre/news/view/newbuy-scheme-early-success-new-stats-reveal-400-reservations-since-launch/>.

In addition, the purchase of a newly built home is normally completed up to six months after reservation; the NewBuy Guarantee scheme is only two months old.

Housing: Health and Safety

Question

Asked by Lord Harrison

To ask her Majesty's Government what assessment they have made of the take up of residual current devices in homes rented through (1) local authorities, (2) registered social landlords and (3) private landlords.

[HL1]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Hanham):

The Housing Health and Safety Rating System (HHSRS) is a risk-based evaluation tool to help local authorities identify and protect against potential risks and hazards to health and safety from any deficiencies identified in dwellings. It was introduced under the Housing Act 2004 and came into effect on 6 April 2006 and applies to all residential properties in England.

Whilst not a legal requirement, the Housing Health and Safety Rating System Operating Guidance states that if electrical equipment operating at 230 volts or higher is used, a residual current device (RCD) can provide additional safety.

Since 2005 Part P of the Building Regulations (Electrical safety in dwellings) has required all new and rewired homes to be fitted with residual current devices in accordance with the rules in British Standard BS 7671, "requirements for electrical installations", or an equivalent standard.

The English Housing Survey estimated that in 2009, in the private rented sector, 62% of dwellings had RCDs installed. For local authority properties the proportion was 74%, and for registered social landlords it was 80%. There is a small amount of uncertainty around these figures due to sampling effects. These estimates exclude a small number of cases where the presence or absence of RCDs could not be determined by inspection.

Immigration

Question

Asked by Lord Laird

To ask her Majesty's Government whether those applying for leave to enter or remain in the United Kingdom on the basis of being the unmarried partner of a United Kingdom national are eligible to obtain such leave if the United Kingdom national is married to another person.

[HL249]

The Minister of State, Home Office (Lord Henley):

A person can qualify for leave to remain in the United Kingdom as the unmarried partner of a UK national who is married to someone else, provided that the sponsor can show that the marriage has permanently broken down.

Imports and Exports

Questions

Asked by Lord Pearson of Rannoch

To ask her Majesty's Government, further to the Office for National Statistics Monthly Review of External Trade Statistics, April 2011 edition, table G2 (top 30 export and import commodities in

2010), how the value, in millions of pounds, of each of the 30 imports commodity categories divides between (1) imports from countries outside the European Union, and (2) imports from other countries within the European Union. [HL296]

Lord Wallace of Saltaire: The information requested falls within the responsibility of the UK Statistics Authority. I have asked the authority to reply.

Letter from Stephen Penneck, Director General for ONS, to Lord Pearson of Rannoch, dated May 2012.

As Director General for the Office for National Statistics, I have been asked to reply to your Parliamentary Question asking further to the ONS Monthly Review of External Trade Statistics, April 2011 edition, table G2 (top 30 export and import commodities in 2010), how the value in millions of pounds of each of the 30 imports commodity categories divides between (1) imports from countries outside the European Union, and (2) imports from other countries within the European Union. [CO] HL296

I attach two tables, which list the UK's top 30 commodity imports in 2010 in EU and non EU countries. The data are extracted from the March 2012 UK trade dataset, and are consistent with the most recent monthly ONS UK trade publication.

UK's Top 30 Import Commodities in 2010, by EU, and Non-EU area
£ million

Seasonally Adjusted, Current Prices, Balance of Payments basis

Table 1: EU Imports—2010

<i>Commodity</i>	<i>Value £ million</i>	<i>% of Total</i>
T Total	186065	100.0
7E Electrical machinery	27363	14.7
78M Cars	18288	9.8
7M Mechanical machinery	14746	7.9
54 Medicinal & pharmaceutical products	9698	5.2
33 Oil	8235	4.4
78I Road vehicles other than cars	7153	3.8
51 Organic chemicals	6534	3.5
05 Vegetables & fruit	4730	2.5
64 Paper & paperboard	4630	2.5
01 Meat & meat preparations	3873	2.1
67 Iron & steel	3637	2.0
69 Miscellaneous metal manufactures	3587	1.9
84 Clothing	3400	1.8
11 Beverages	3326	1.8
55 Toilet & cleansing preparations	3321	1.8
68minusS Non-ferrous metals less silver	3133	1.7
02 Dairy products & eggs	2374	1.3

UK's Top 30 Import Commodities in 2010, by EU, and Non-EU area
£ million

Seasonally Adjusted, Current Prices, Balance of Payments basis

Table 1: EU Imports—2010

<i>Commodity</i>	<i>Value £ million</i>	<i>% of Total</i>
66 Mineral manufactures	2212	1.2
65 Textile fabrics	2089	1.1
04 Cereals	1866	1.0
793 Ships	1830	1.0
09 Miscellaneous foods	1772	1.0
62 Rubber manufactures	1679	0.9
07 Coffee, tea, cocoa etc	1503	0.8
52 Inorganic chemicals	1378	0.7
792 Aircraft	1311	0.7
85 Footwear	1203	0.6
24 Wood & cork	1043	0.6
53 Dyeing, tanning & colouring materials	929	0.5
08 Animal feeding stuffs	913	0.5

UK's Top 30 Import Commodities in 2010, by EU, and Non-EU area
£ million

Seasonally Adjusted, Current Prices, Balance of Payments basis

Table 2: Non-EU Imports—2010

<i>Commodity</i>	<i>Value £ million</i>	<i>% of Total</i>
T Total	178157	100.0
33 Oil	27814	15.6
7E Electrical machinery	23636	13.3
7M Mechanical machinery	14032	7.9
792 Aircraft	11722	6.6
84 Clothing	11446	6.4
66 Mineral manufactures	5879	3.3
54 Medicinal & pharmaceutical products	5544	3.1
68minusS Non-ferrous metals less silver	3966	2.2
69 Miscellaneous metal manufactures	3290	1.8
28 Metal ores & scrap	3055	1.7
51 Organic chemicals	2863	1.6
05 Vegetables & fruit	2725	1.5
9 Unspecified goods	2542	1.4
85 Footwear	2403	1.3
65 Textile fabrics	2201	1.2
78I Road vehicles other than cars (i)	2023	1.1
78M Cars	1710	1.0
52 Inorganic chemicals	1574	0.9
67 Iron & steel	1525	0.9
03 Fish & shellfish	1500	0.8
11 Beverages	1287	0.7

UK's Top 30 Import Commodities in 2010, by EU, and Non-EU area
£ million

Seasonally Adjusted, Current Prices, Balance of Payments basis
Table 2: Non-EU Imports—2010

Commodity	Value £ million	% of Total
64 Paper & paperboard	1267	0.7
01 Meat & meat preparations	1133	0.6
55 Toilet & cleansing preparations	1095	0.6
68S Silver	1055	0.6
62 Rubber manufactures	1052	0.6
07 Coffee, tea, cocoa etc	934	0.5
12 Tobacco	880	0.5
63 Wood & cork manufactures	756	0.4
08 Animal feeding stuffs	749	0.4

Source: Office for National Statistics (UK Trade, March 2012 Datasets)

Asked by **Lord Pearson of Rannoch**

To ask her Majesty's Government, further to the Office for National Statistics Monthly Review of External Trade Statistics, April 2011 edition, table G2 (top 30 export and import commodities in 2010), how the value, in millions of pounds, of each of the 30 exports commodity categories divides between (1) exports to countries outside the European Union, and (2) exports to other countries within the European Union. [HL298]

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I attach two tables, which list the UK's top 30 commodity exports in 2010 in EU and non EU countries. The data are extracted from the March 2012 UK Trade dataset, and are consistent with the most recent monthly ONS UK trade publication.

UK's top 30 Export Commodities in 2010, by EU, and Non-EU area
£ million

Seasonally Adjusted, Current Prices, Balance of Payments basis
Table 1: EU Exports—2010

Commodity	Value £ million	% of Total
T Total	142207	100.0

UK's top 30 Export Commodities in 2010, by EU, and Non-EU area
£ million

Seasonally Adjusted, Current Prices, Balance of Payments basis
Table 1: EU Exports—2010

Commodity	Value £ million	% of Total
33 Oil	21478	15.1
7E Electrical machinery	14856	10.4
7M Mechanical machinery	11322	8.0
54 Medicinal & pharmaceutical products	11298	7.9
78M Cars	7757	5.5
51 Organic chemicals	4456	3.1
792 Aircraft	3894	2.7
66 Mineral manufactures	3370	2.4
67 Iron & steel	3163	2.2
55 Toilet & cleansing preparations	2792	2.0
84 Clothing	2744	1.9
78I Road vehicles other than cars	2594	1.8
68minusS Non-ferrous metals less silver	2557	1.8
69 Miscellaneous metal manufactures	2557	1.8
11 Beverages	2553	1.8
52 Inorganic chemicals	1917	1.3
65 Textile fabrics	1728	1.2
64 Paper & paperboard	1578	1.1
04 Cereals	1495	1.1
28 Metal ores & scrap	1468	1.0
01 Meat & meat preparations	1282	0.9
53 Dyeing, tanning & colouring materials	1178	0.8
62 Rubber manufactures	1167	0.8
9 Unspecified goods	1018	0.7
03 Fish & shellfish	1016	0.7
793 Ships	967	0.7
02 Dairy products & eggs	845	0.6
85 Footwear	729	0.5
07 Coffee, tea, cocoa etc	706	0.5
09 Miscellaneous foods	700	0.5

UK's top 30 Export Commodities in 2010, by EU, and Non-EU area
£ million

Seasonally Adjusted, Current Prices, Balance of Payments basis
Table 1: EU Exports—2010

Commodity	Value £ million	% of Total
T Total	123501	100.0
7M Mechanical machinery	21528	17.4

UK's top 30 Export Commodities in 2010, by EU, and Non-EU area
£ million

Seasonally Adjusted, Current Prices, Balance of Payments basis

Table 1: EU Exports—2010

Commodity	Value £ million	% of Total
54 Medicinal & pharmaceutical products	11069	9.0
7E Electrical machinery	10928	8.8
33 Oil	9830	8.0
78M Cars	9488	7.7
792 Aircraft	4975	4.0
51 Organic chemicals	4407	3.6
66 Mineral manufactures	3471	2.8
11 Beverages	3084	2.5
28 Metal ores & scrap	2655	2.1
69 Miscellaneous metal manufactures	1970	1.6
67 Iron & steel	1882	1.5
68minusS Non-ferrous metals less silver	1815	1.5
9 Unspecified goods	1749	1.4
52 Inorganic chemicals	1565	1.3
55 Toilet & cleansing preparations	1510	1.2
68S Silver	1294	1.0
78I Road vehicles other than cars (i)	1285	1.0
84 Clothing	926	0.7
65 Textile fabrics	868	0.7
53 Dyeing, tanning & colouring mate	774	0.6
64 Paper & paperboard	760	0.6
793 Ships	754	0.6
62 Rubber manufactures	487	0.4
04 Cereals	460	0.4
09 Miscellaneous foods	402	0.3
25 Pulp & waste paper	390	0.3
26 Textile fibres	344	0.3
03 Fish & shellfish	338	0.3
07 Coffee, tea, cocoa etc	305	0.2

Source: Office for National Statistics (UK Trade, March 2012 Datasets)

Israel and Palestine

Question

Asked by *The Lord Bishop of Exeter*

To ask her Majesty's Government which religious leaders they have been in discussion with over finding ways to ensure access to and protection of the holy sites of Jerusalem and elsewhere in Israel and the Occupied Palestinian Territories. [HL30]

The Minister of State, Foreign and Commonwealth Office (Lord Howell of Guildford): We place real importance on the right to freedom of religion for all. It remains difficult for Palestinians, including Christians and Muslims, to enter East Jerusalem or other places of pilgrimage in Israel. We remain deeply concerned about access to and the protection of holy sites within Israel and the Occupied Palestinian Territories.

We discuss this issue with religious leaders of all faiths, and with the relevant authorities, including raising specific cases as appropriate and discussing ways of protecting the holy sites of Jerusalem, Israel and the occupied Palestinian Territories.

At a conference last year at Lancaster House I spoke about the importance of ensuring Jerusalem remains a holy city for all faiths at the International Conference on Christians in the Holy Land, organised by the Archbishops of Canterbury and Westminster. The conference was attended by religious leaders from various faiths including the Catholic Patriarch and the Anglican Bishop of Jerusalem as well as significant Jewish and Muslim figures.

Nuclear Weapons

Questions

Asked by *Lord Browne of Ladyton*

To ask her Majesty's Government when they became aware of the intention of the Government of the United States to replace and modernise the B61 nuclear weapons stationed in Europe. [HL91]

To ask her Majesty's Government what consultation, if any, they had with the Government of the United States about the planned replacement between 2018 and 2022 of B61 nuclear weapons stationed in Europe by newer B61-12 weapons and the resulting modernisation and life extension programme, as reported by the United States Government Accountability Office. [HL92]

To ask her Majesty's Government what consultation, if any, they had with any NATO allies about the planned replacement between 2018 and 2022 of B61 nuclear weapons stationed in Europe by newer B61-12 weapons and the resulting modernisation and life extension programme, as reported by the US Government Accountability Office. [HL93]

To ask her Majesty's Government when and in what forum the planned replacement between 2018 and 2022 of B61 nuclear weapons stationed in Europe by newer B61-12 weapons was the subject of NATO deliberations. [HL94]

To ask Her Majesty's Government whether and to what extent, if any, the planned modernisation of the B61 nuclear weapons stationed in Europe affected the Government's contributions to the Deterrence and Defence Posture Review discussions in NATO. [HL95]

To ask her Majesty's Government whether the planned modernisation of the B61 nuclear weapons stationed in Europe will create a new capability. [HL96]

Lord Wallace of Saltaire: The B61 is a United States (US) nuclear weapon and as such a US national programme. The US officially informed NATO in June 2008 of the planned life extension programme (LEP) for this weapon system, as part of NATO's overall capabilities for deterrence and defence alongside conventional and missile defence forces. Discussion of this programme took place amongst the 27 nations of the NATO nuclear community across a range of routine NATO nuclear meetings and during routine UK-US nuclear bilateral exchanges. The B61 LEP was not a factor in the formulation of the UK's input into the Deterrence Defence Posture Review.

The US is clear that the B61 does not constitute a new capability. The US 2010 Nuclear Posture Review states that "life extension programmes will use only nuclear components based on previously tested designs, and will not support new military missions or provide for new military capabilities".

Pensions

Questions

Asked by **Lord Laird**

To ask her Majesty's Government further to the Written Answer by Lord Sassoon on 30 April (WA 419), what is their assessment of the proposal by the Northern Ireland Executive not to implement similar increases in employee contributions in the local government pension scheme, and whether they will draw to the Executive's attention the amounts by which HM Treasury will reduce the Northern Ireland block grant. [HL26]

The Commercial Secretary to the Treasury (Lord Sassoon): Her Majesty's Government have not been notified by the Northern Ireland Executive of any such proposal.

Asked by **Lord Bradley**

To ask her Majesty's Government what is (1) the median level, (2) the mean level, and (3) the mode level, of current public sector pension payments. [HL171]

Lord Sassoon: The Treasury has responsibility for setting overarching public service pensions policy. Individual public service schemes are the responsibility of the relevant Secretaries of State and the data on payments to members are held by the relevant individual department.

Police: Risk Assessments

Questions

Asked by **Lord Clement-Jones**

To ask her Majesty's Government how many promotion event risk assessment form 696 submissions were received by the Metropolitan Police clubs focus desk in each of 2009, 2010 and 2011. [HL270]

The Minister of State, Home Office (Lord Henley): This Government do not request or collect this information centrally.

Asked by **Lord Clement-Jones**

To ask her Majesty's Government how many performers' personal details submitted by way of a promotion event risk assessment form 696 were recorded by the Metropolitan Police clubs focus desk in each of 2009, 2010 and 2011. [HL271]

Lord Henley: The Government do not request or collect this information centrally.

Asked by **Lord Clement-Jones**

To ask her Majesty's Government how many Licensing Authorities in England and Wales outside the Metropolitan Police area have imposed conditions on premises licences relating to the completion of promotion event risk assessment form 696 for music events. [HL272]

Lord Henley: The Government do not request or collect this information centrally.

Prisoners: Transfers

Question

Asked by **Lord Avebury**

To ask her Majesty's Government what progress they have made in including provision for reduced sentences for prisoners transferred to the United Kingdom in a renegotiated prisoner transfer agreement with Thailand; and whether they will ensure that the new agreement will apply to prisoners already transferred. [HL173]

The Minister of State, Ministry of Justice (Lord McNally): Proposed amendments to the prisoner transfer agreement with Thailand have been presented to the Thai authorities for their consideration. We have not yet had a response to these proposals. Any changes to the prisoner transfer agreement will require the consent of the Thai authorities. The position of those prisoners already transferred to the UK will be considered in any future negotiations.

Schools: Split Sites

Questions

Asked by **Lord Ashcroft**

To ask her Majesty's Government, further to the Written Answer by Lord Hill of Oareford on 7 February (WA 57), whether it is possible to have a split site of a single school in an adjacent town, bordering county or different area of the country, so long as the original name and single admissions criteria are retained. [HL42]

To ask her Majesty's Government, further to the Written Answer by Lord Hill of Oareford on 30 April (WA 427), whether "more than one site" means that the school's split site can be anywhere. [HL63]

To ask her Majesty's Government, further to the Written Answer by Lord Hill of Oareford on 30 April (WA 427), whether "a continuance of the original school" means that the same name and admissions criteria are retained in the split site, with the same

governing body overseeing the whole enterprise, or whether it means that the organisation is developed by retaining the same core mission, admissions policies and school naming convention, but within an umbrella organisation; and, if the latter, whether the original school could become an umbrella organisation with a number of satellites operating with the same basic structures and philosophy but with individual governing bodies reporting to the over-arching governing body. [HL64]

The Parliamentary Under-Secretary of State for Schools (Lord Hill of Oareford): Any state-funded school can seek to operate on additional sites, and many have done so with great success for many years. As previous answers have indicated, current legislation prohibits the introduction of a new wholly selective maintained school or Academy, so any proposal must comply with the law. In considering whether to approve any proposal, the local authority, or the Secretary of State in the case of Academy expansion, will have to be satisfied that the proposed expansion onto another site is a continuance of the original school.

Sudan Question

Asked by The Lord Bishop of Bath and Wells

To ask her Majesty's Government whether they have made an assessment of the extent of any state-incited or state-orchestrated religious persecution and discrimination against Christians in Sudan. [HL112]

The Minister of State, Foreign and Commonwealth Office (Lord Howell of Guildford): We have no evidence that there is a state orchestrated campaign against Christians. However, recent rhetoric by government leaders on the north-south conflict has led to tension between communities and fear of attacks against South Sudanese in Sudan, many of whom are Christians.

We were very concerned by a recent attack on a church in Khartoum, although there was no evidence of state involvement. We welcome the announcement from the Ministry of Religious Guidance and Endowments of an investigation into the incident and urge them to ensure this enquiry is thorough, independent and timely. We continue to remind the Government of Sudan of their obligation to protect all of their civilians, including those in religious groups. Our Embassy in Khartoum holds regular meetings with representatives of faith-based groups and has funded civil society groups promoting human rights and diversity in Sudan.

Sudan and South Sudan Question

Asked by The Lord Bishop of Bath and Wells

To ask her Majesty's Government what measures they are taking to assist in ensuring an early and peaceful resolution of the unimplemented provisions of the Comprehensive Peace Agreement between Sudan and South Sudan, and in particular the resolution of outstanding issues affecting South Kordofan, Blue Nile and Abyei. [HL114]

The Minister of State, Foreign and Commonwealth Office (Lord Howell of Guildford): We continue to make clear to both countries that they must commit themselves to negotiation of all outstanding issues, in the context of the mediation by the African Union High Level Implementation Panel. We are also encouraging the Government in Sudan to put in place a political process of constitutional reform that will address the needs and views of all its people, including those in the conflict affected states of Southern Kordofan, Blue Nile and Abyei. The UK worked hard to ensure United Nations Security Council Resolution 2046, which supports the roadmap, dealt with Southern Kordofan and Blue Nile State under a Chapter VII mandate. We continue to remind the Government of Sudan of their obligation to protect civilians and allow humanitarian access to both states. I welcomed the news that South Sudan have withdrawn their remaining security forces from Abyei on 11 May, and we now urge the Sudanese security forces to do the same.

Ticks Questions

Asked by The Countess of Mar

To ask her Majesty's Government what epidemiology data exist for the historic and current population densities of Ixodes ricinus ticks in England and Wales; whether it shows an increase in tick numbers; what proportion of ticks carry *Borrelia burgdorferi sensu lato*; and what measures are in place for future monitoring. [HL138]

The Parliamentary Under-Secretary of State, Department of Health (Earl Howe): The Health Protection Agency's (HPA) Medical Entomology group has historical data on tick distribution in the United Kingdom (UK) for the last 100 years and has been running an enhanced tick surveillance programme for the UK since 2005. This monitoring work will continue and the latest findings, published in 2011, conclude that compared to historical data Ixodes ricinus ticks are expanding their geographic UK range, particularly in south-west England. Since 2010, the HPA has conducted studies of tick numbers at 10 sites across the UK as part of the Environmental Change Network; it is too early to say whether tick abundance has increased. Ticks collected in these studies are not currently routinely tested for levels of any pathogens, except within specific funded research projects.

Asked by The Countess of Mar

To ask her Majesty's Government, with regard to the freedom of household pets to travel in Europe, what surveillance measures exist to detect the arrival of tick-borne encephalitis and other tick-borne diseases that are not currently endemic in the United Kingdom; and what measures exist to inform United Kingdom residents of the risks of those diseases when they travel to Europe and the United States and the need for vaccination for tick-borne encephalitis. [HL139]

Earl Howe: Suspected cases of tick-borne encephalitis are referred to the Health Protection Agency's (HPA) Rare and Imported Pathogens Laboratory at Porton Down for diagnosis. Acute suspected encephalitis of

any cause is statutorily notifiable and infection with any species of *Borrelia*, the causative agent of Lyme disease, reportable under the Health Protection (Notification) Regulations 2010.

Testing is performed on the basis of symptoms and travel history to cover the principal differential diagnoses when combined with routine tests undertaken in National Health Service hospitals. Data from these tests are used for epidemiological monitoring by the HPA's Health Protection Services at Colindale. Information to travellers and clinicians about tick-borne encephalitis, including vaccination, is provided by general practitioners and through the National Travel Health Network and Centre which is funded through the HPA.

Asked by The Countess of Mar

To ask her Majesty's Government what testing is carried out in addition to *Borrelia burgdorferi sensu stricto* and *Borrelia afzelii* for tick-borne diseases including Bartonellosis, Ehrlichiosis, *Borrelia garinii*, Babesiosis, Louping ill and Q-fever, that occur in the United Kingdom, and for other zoonoses such as tick-borne encephalitis, Boutonneuse fever, Tularemia and Rocky Mountain spotted fever to which United Kingdom residents can be exposed when travelling to Europe and the United States.

[HL140]

Earl Howe: Testing is available for a wide range of zoonotic agents through the Health Protection Agency's (HPA) Rare and Imported Pathogens Laboratory and other laboratories. The selection of tests used depends on the history and travel details of the patient, and a panel of assays is performed to cover the principal differential diagnoses. If this includes a disease not available currently through the HPA's Rare and Imported Pathogens Laboratory, samples are referred to another appropriate centre for analysis. Tests are available for a wide variety of tick-borne diseases including: Rickettsia (spotted fevers including Rocky Mountain spotted fever, Mediterranean Spotted Fever (Boutonneuse Fever), African Tick Typhus; Epidemic Typhus and Murine Typhus), Orientia (Scrub Typhus), Tularemia, Q-fever, Tick-borne Encephalitis (including Louping Ill), Rift Valley fever, Congo-Crimean Haemorrhagic Fever, Anaplasma and Ehrlichia, Bartonella and Babesiosis. Such tests may include those for relevant diseases with a similar presentation that are spread by other vectors, eg sandfly fever.

Transport: Intelligent Transport Systems *Question*

Asked by Lord Berkeley

To ask her Majesty's Government whether they are taking action to ensure that United Kingdom representatives at the European Commission Expert Group relating to the intelligent transport systems directive have advice and technical briefing from industry and professional organisations, and if so how.

[HL137]

Earl Attlee: Work to develop specifications for the six priority action areas, identified in the European Union's intelligent transport system directive, is now under way through expert groups established by the European Commission. This Department for Transport is engaging with a wide range of interested parties on each of the priority areas to ensure its representatives on the expert groups secure the best interests of the United Kingdom.

Unemployment *Question*

Asked by Lord Ouseley

To ask her Majesty's Government what assessment has been made of the reasons for the levels of unemployment affecting black and Asian people aged under 24 years; whether racial discrimination is a contributing factor; what remedial actions are proposed; and what advice has been provided by the Equality and Human Rights Commission.

[HL13]

The Parliamentary Under-Secretary of State, Department for Work and Pensions (Lord Freud): The Equality Strategy, *Building a Fairer Britain*, sets out the Government's approach to tackling inequality—recognising that we are a nation of 62 million individuals. This is built into the Government's individualised approach to increasing employment among ethnic minorities. The coalition has put in place, notably through Jobcentre Plus and through the network of contracted Work Programme providers, employment support that offers flexible tailored support to meet the needs of each individual jobseeker.

The support available includes the new Youth Contract, worth almost £1 billion, which includes a range of additional help for unemployed young people.

The Equality and Human Rights Commission is represented on the Ethnic Minority Advisory Group, which provides advice to the Department for Work and Pensions to help increase ethnic minority employment.

Young Offender Institutions: Restraint *Question*

Asked by Baroness Stern

To ask her Majesty's Government when they expect to make a decision on a new system of restraint for use in the under-18 secure estate following the work of the Restraint Advisory Board. [HL90]

The Minister of State, Ministry of Justice (Lord McNally): An announcement regarding the new system of restraint—minimising and managing physical restraint—for use in secure training centres and under-18 young offender institutions will be made via Written Ministerial Statement before the House rises for Summer Recess.

Wednesday 23 May 2012

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