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PARLIAMENTARY DEBATES  
(HANSARD)

# HOUSE OF LORDS

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The following abbreviations are used to show a Member's party affiliation:

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

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# House of Lords

Monday 22 July 2024

2.30 pm

*Prayers—read by the Lord Bishop of Winchester.*

## Introduction: Lord Timpson

2.37 pm

*William James Timpson OBE, having been created Baron Timpson, of Manley in the County of Cheshire, was introduced and made the solemn affirmation, supported by Lord Ponsonby of Shulbrede and Lord Bradley, and signed an undertaking to abide by the Code of Conduct.*

## Introduction: Lord Hermer

2.43 pm

*The right honourable Richard Simon Hermer KC, having been created Baron Hermer, of Penylan in the City of Cardiff, was introduced and made the solemn affirmation, supported by Baroness Kennedy of The Shaws and Lord Neuberger of Abbotsbury, and signed an undertaking to abide by the Code of Conduct.*

## Oaths and Affirmations

2.47 pm

*Several noble Lords took the oath or made the solemn affirmation, and signed an undertaking to abide by the Code of Conduct.*

## Arrangement of Business

*Announcement*

2.53 pm

**Lord Kennedy of Southwark (Lab Co-op):** My Lords, today we have the first Oral Questions of this new Parliament. As I have said many times from the Opposition Dispatch Box, it is called “Question Time” for a reason. The *Companion* is clear: questions should be “short and clear” and “confined to not more than two points”.

Question Time is not an opportunity for Members to make statements or speeches, or to give lengthy opinions, as we saw on several occasions in the last Parliament. This also applies to our ministerial colleagues, who should keep their answers as brief as possible and focus on the key points. This discipline across the House will ensure that as many Members as possible are able to ask a question. It will provide for better scrutiny and challenge of the Government at Question Time. There is no greater gift to a Minister at Question Time than a long speech containing lots of unclear questions, which allows the Minister to pick the easiest one to answer.

The House prides itself on being self-regulating. To make that work, let us all impose some regulation on ourselves. There is a role for the Government Chief Whip to intervene if the House cannot decide who the next questioner is. I have no wish to do this, but I will keep a tally of which Benches have asked questions

and intervene if necessary. I would be grateful if noble Lords continued to follow the guidance set out in the *Companion*.

**Baroness Williams of Trafford (Con):** My Lords, may I just confirm to the Government Chief Whip that we absolutely support him in every word he said? Goodness knows, I have said it enough times myself. I have a little black book to tell him who the biggest culprits are.

## Northern Ireland Dentists: Amalgam Fillings Question

2.55 pm

*Asked by Baroness Hoey*

To ask His Majesty’s Government what plans they have to ensure that dentists in Northern Ireland will still be able to use amalgam fillings when the EU ban their use from January 2025.

**The Parliamentary Under-Secretary of State, Department of Health and Social Care (Baroness Merron) (Lab):** My Lords, on 19 July, as a result of constructive work between the UK Government and the EU, the EU published a notice that recognises the unique circumstances of Northern Ireland and the representations that have been made by the UK Government. It set specific arrangements in place for Northern Ireland, providing an additional 10 years to still use amalgam fillings, or until an earlier time is agreed by the Minamata convention, to which the UK is party.

**Baroness Hoey (Non-Affl):** My Lords, I thank the Minister for that Answer, which will be very much welcomed by dentists in Northern Ireland, but does she understand that there is a fundamental issue here? There are many more health and other regulations that will need that kind of begging of the EU to make a difference, because Northern Ireland is still under the Windsor Framework and the protocol. Will she commit to working to ensure that Northern Ireland’s place in the United Kingdom, as a fully integrated part of the United Kingdom, is restored, and that this Government will do what they can to make that happen as soon as possible?

**Baroness Merron (Lab):** As the noble Baroness is more than aware, the Windsor Framework is exactly about safeguarding Northern Ireland’s integral position in the union and the UK internal market. I can assure your Lordships’ House that the Government are committed to implementing the Windsor Framework in good faith. This is a particular set of circumstances and the first opportunity to secure such arrangements, so it is important to see it in this light. I am glad that the noble Baroness welcomes this action by the Government; it is certainly intended to serve the good people of Northern Ireland, and I am glad to be able to present that today.

**Baroness Ritchie of Downpatrick (Lab):** My Lords, I refer to my entry in the *Register of Lords' Interests*. I welcome the derogation on amalgam fillings, because that issue has been persisting for some time. It proves that a Labour Government are working to find solutions to the outstanding matters relating to the Windsor Framework. In that respect, will the Minister and her colleagues undertake to provide us with details of the resetting of the relationship between the UK and the EU? There are several outstanding matters relating to veterinary medicines and the EU's carbon floor.

**Baroness Merron (Lab):** I am glad that my noble friend welcomes today's announcement. I am sure the House will appreciate the particular set of circumstances surrounding amalgam, which are extremely complex. This has required considerable collaboration between several departments, as well as the devolved Administrations. I hope it will be regarded as something very positive, but I can assure my noble friend and your Lordships' House that I will discuss with my ministerial colleagues the points being raised about the Windsor Framework and the relationships that that entails.

**Lord Lexden (Con):** Do the Government accept that there is indeed a considerable amount of further work to be done to ensure that the Windsor Framework provides fully for the free movement of all goods within our precious single market?

**Baroness Merron (Lab):** Certainly, the Windsor Framework, under which some EU rules apply in Northern Ireland, is intended to help the EU and the UK work together constructively and to ensure the smooth flow of trade within the UK internal market. I am sure that my colleagues in the Northern Ireland Office will continue to keep that under review. I know that the Northern Ireland Secretary has been very involved in the amalgam issue.

**Lord Foulkes of Cumnock (Lab Co-op):** My Lords, will the Minister confirm that the noble Baroness, Lady Hoey, is one of the people who got us into this mess in the first place?

**Baroness Merron (Lab):** I thank my noble friend for his opinion; that is noted. The Question from the noble Baroness, Lady Hoey, was extremely welcome.

**Lord Caine (Con):** My Lords, I congratulate the noble Baroness on her appointment. Clearly, we strongly support the derogation for Northern Ireland, on which we were working tirelessly prior to the election. While agreement is always to be preferred, the Stormont brake remains a crucial democratic safeguard for Northern Ireland in order to prevent the imposition of new EU laws and regulations that, in this case, could have had a devastating impact on dentistry and public health. In the event of that brake ever being activated, will the new Government commit to standing by all its provisions, including the exercise of a veto where necessary?

**Baroness Merron (Lab):** I thank the noble Lord for his kind words of welcome and can assure the House that I will certainly do my best in my new role. On the important issue of what next, which I believe the question raises, this will now be a matter for the Democratic Scrutiny Committee in Stormont. It will look closely at what this new arrangement potentially means and will decide the next step, so I suggest that it is in the right place. Of course, we will continue to work closely with our colleagues in Northern Ireland. I believe there will be next steps after we have had the opportunity to hear what the committee says.

**Lord Harris of Haringey (Lab):** My Lords, I refer to my interest, as listed in the register, as chair of the General Dental Council. Can the Minister express a view, on behalf of His Majesty's Government, on the safety of amalgam fillings?

**Baroness Merron (Lab):** Yes, I can confirm that amalgam is safe. The reason for this phase-down of the use of mercury, which is in amalgam fillings, is related to the environment. When mercury is released into the environment—for example, through emissions from crematoria—it can get into the food chain, where it accumulates mainly in fish such as shark and tuna. That can affect those who have a fish-rich diet, in countries such as Greenland, Brazil, Japan and China. However, there is no evidence whatsoever that amalgam is unsafe, and it is with that in mind that we have sought this arrangement for Northern Ireland.

**Lord Forsyth of Drumlean (Con):** Further to the noble Lord's rather ungracious question, can the Minister confirm that if we had not left the EU, it would not have been possible to continue with the use of amalgam?

**Baroness Merron (Lab):** I am sure that there are many opinions in your Lordships' House about what would have happened if we had not left the EU, and I think it is probably appropriate that I leave it there.

**Lord Scriven (LD):** Does the Minister agree that it is the policy of the British Dental Association eventually to remove amalgam, so this is about not whether it is removed but the timing of its removal, in a way that helps to ensure continual dental services?

**Baroness Merron (Lab):** It is indeed, and I thank the noble Lord for his observation, which is absolutely correct. We are very grateful to the British Dental Association for working closely with us not just on this issue but on how we are going to restore NHS dental services across the country, because that is a real task we are going to have to battle with.

## Mail Carriage by Rail Question

3.04 pm

Asked by **Lord Snape**

To ask His Majesty's Government whether they plan to meet the Royal Mail Group to discuss the Group's plans to end the carriage of mail by rail from October.

**The Minister of State, Department for Transport (Lord Hendy of Richmond Hill) (Lab):** We are fully committed to supporting rail freight growth, recognising significant economic and environmental potential. Following our plans to overhaul the railways, Great British Railways will have a duty and targets to grow rail freight. I have discussed the decision regarding its trains with Royal Mail. As it is now a private company not owned or controlled by the Government, the mode used to move mail is a commercial decision for the business.

**Lord Snape (Lab):** My Lords, at the risk of appearing in the Government Chief Whip's black book, I congratulate my noble friend on his appointment in the Department for Transport and want to say how much it is welcomed by those of us who take an interest in these matters. Could he perhaps read the Riot Act to Royal Mail Ltd? Despite the fact that it is a semi-privatised organisation and he has no real control over it, does he agree that it is deplorable that a century and a half of traditional and dedicated rail carriage of mail is to be cast aside to carry mail on a fleet of heavy goods vehicles, so adding to the congestion and pollution on our roads and motorways? Further, is there not something wrong with a licensing system that makes it cheaper for companies to behave in this way rather than, as my noble friend has suggested, transferring freight from road to rail?

**Lord Hendy of Richmond Hill (Lab):** The mode of transport chosen by Royal Mail is an operational decision, over which Ministers and the regulator have no role under postal regulation. It has emphasised the low-carbon credentials of its road fleet, using electric vans and biofuel in HGVs to reduce emissions. However, I have already encouraged Royal Mail, and will continue to encourage it, to take an ambitious approach to the wider use of rail freight as part of its commitments to net zero and to reducing congestion on our roads, including exploring the innovative and growing express rail freight sector. I assure your Lordships' House that, in my new role as rail Minister, I will be championing the role of freight on our railways.

**Lord Kirkhope of Harrogate (Con):** Will the Minister please respond to the concerns of many people in this country who feel threatened by the changes involved in the new proposals for the daily delivery of domestic letters and parcels to our houses? Will he comment on the proposals to diminish this service?

**Lord Hendy of Richmond Hill (Lab):** In respect of the carriage of mail by rail, my department officials are working closely with officials from the Department for Business and Trade. I would be happy to take the noble Lord's comments back to both departments. I have to say that this is still an operational decision for Royal Mail, over which Ministers and the regulator have no role under postal regulation.

**Lord Sikka (Lab):** My Lords, Royal Mail is a private company but the effects of its operations are public. It affects traffic congestion, as has already been mentioned, as well as health and carbon emissions. This will have

some impact on everybody. In the light of that, can the Minister explain what additional taxes will be levied upon Royal Mail for causing these harms?

**Lord Hendy of Richmond Hill (Lab):** I thank my noble friend for his question. Only 3% of Royal Mail's letters and parcels are moved by rail. There are 600 freight services running on the network every day, of which the trains in question account for just six, so it is not thought that this will have a substantial impact on the overall amount of freight moved by rail. The matter of the taxation regime for rail and road is quite different.

**Baroness Randerson (LD):** I congratulate the Minister on his new appointment and thank him for his early comments, but point out that, while Royal Mail may be an independent company nowadays, it works within a legislative framework. Are the Government considering amendments to the legislative framework for both Royal Mail and other companies in similar settings to increase their environmental obligations and raise expectations that they will use environmentally sound forms of transport?

**Lord Hendy of Richmond Hill (Lab):** The department's officials are working closely with officials from the Department for Business and Trade. I will take the noble Baroness's comments back to both departments.

**Baroness Vere of Norbiton (Con):** My Lords, the previous Conservative Government were very supportive of the modal shift; in fact we introduced the Mode Shift Revenue Support scheme. Have the Minister's officials pointed Royal Mail to that scheme, and might it be helpful in this regard?

**Lord Hendy of Richmond Hill (Lab):** My understanding is that the Mode Shift Revenue Support scheme, which has a budget of £18 million for 2024-25, has been effective. The current scheme expires on 31 March 2025, but my current understanding is that it does not apply to the carriage of mail by rail.

**Lord Grocott (Lab):** Can the Minister, whose appointment I also welcome, confirm that one of the arguments for HS2 to Birmingham was very much to free up capacity on the existing west coast main line by an additional route from London to Birmingham? In that connection, does he agree that one of the many disastrous decisions made by the previous Government was to scrap the HS2 project north of Birmingham? What assurance can he give us that the current Government, among the many changes they have planned, will change that particularly bad decision?

**Lord Hendy of Richmond Hill (Lab):** I thank my noble friend for that question but it moves quite a long way from the carriage of mail by rail. I think there might be more appropriate times at which to consider the railway infrastructure of Great Britain and the future infrastructure plans of this Government.



**Lord McLoughlin (Con):** In congratulating and welcoming the Minister to his place—a man who will probably be giving advice to his civil servants rather than the other way around—I would like to ask him about the long-term plans for freight on the railways. What extra measures does he envisage taking, bearing in mind the serious capacity issues that have just been referred to by the noble Lord, Lord Grocott?

**Lord Hendy of Richmond Hill (Lab):** I welcome the comments from the noble Lord, Lord McLoughlin. It is important that rail freight increases, but the noble Lord is correct in referring to capacity problems on some parts of the network. There are two things to do. First, historically the freight companies have a number of paths that they do not use and never have done, which are getting in the way of running more passenger trains. Secondly, in return, the Government's emphasis on the carriage of more freight by rail demands us to look carefully at the capacity of the railway and facilitate the paths that are needed for modern freight, particularly containers and bulk aggregates, in order that traffic can increase.

**Lord Wallace of Saltaire (LD):** My Lords, is the Minister aware that one of the choke points if one wants to increase the amount of freight moved by rail is across the Pennines? The M62 is crowded every day with trucks carrying containers. I am told that there are no spare freight paths between the west and east coasts in the north of England. Unless extra path capacity is provided, the Government will be unable to fulfil their commitment to increase the carriage of freight by rail in the north.

**Lord Hendy of Richmond Hill (Lab):** There is certainly a constraint on the amount of railway capacity over the Pennines from east to west. The trans-Pennine route upgrade, which is currently costing £11 billion, is a significant project already in delivery that seeks to increase that capacity. I know the department's officials have looked and are looking at what needs to be done with that upgrade in order to make sure that it is suitable for the carriage of more freight, including containers of the larger size.

**Lord Berkeley (Lab):** My Lords, it is only 20 years ago that Royal Mail built probably between 26 and 29 large and complicated sorting offices connected to rail and road so that mail could be sorted. This was the modern way of doing it. Two of those—I think one of them is at Warrington and the other is at Willesden, opened by Her Royal Highness Princess Anne—are no longer going to be used. Does that have anything to do with my noble friend's question about capacity on the west coast main line?

**Lord Hendy of Richmond Hill (Lab):** The issue of the age of the infrastructure that Royal Mail uses is overtaken by the issue of the age of the train sets that it currently uses to carry mail. There were originally 15 train sets built, but only six are now in service and they are all 30 years old. Royal Mail's judgment is that these railway vehicles are now of an age when they are becoming unfit for service.

## Lower Thames Crossing Development Consent Order *Question*

3.14 pm

*Asked by Lord Colgrain*

To ask His Majesty's Government whether they expect to meet the statutory timeframe within which a decision on the Lower Thames Crossing Development Consent Order must be made.

**The Minister of State, Department for Transport (Lord Hendy of Richmond Hill) (Lab):** The statutory deadline for a decision on the lower Thames crossing is 4 October 2024. Although the department always attempts to meet its statutory deadlines, I cannot comment further on what is a live planning application.

**Lord Colgrain (Con):** I thank the Minister for his reply, and I too congratulate him on his new appointment. He will know that the Dartford Tunnel on the M25 has reached its design life's term, and that the lower Thames crossing is intended to alleviate forecast massive capacity constraints. It was first studied by his department in 2009, with the final route decided in 2017. It is incredible that this project has cost £800 million in fees to date, and even more incredible that, including changes and resubmissions, it has attached to it the longest written development consent order in this country's history at more than 350,000 pages. Given that it is this Government's avowed intent to promote key infrastructure and grow the economy, can the Minister think of any good reason why this application should not be approved by its 4 October deadline?

**Lord Hendy of Richmond Hill (Lab):** I would hope that it will be, but the noble Lord will know that the deadline was delayed because of the general election, and the new Secretary of State in the other House will need time to correctly assess the large and complex nature of the arguments for and against it. This is one of the largest planning applications that the department has ever dealt with. It is important that the Government plan projects properly and are open about the challenges and natural uncertainty of delivering a project of this size. But that is why the new Government have committed to speed up the delivery of vital projects and announced new legislation that will seek a streamlined and proportionate process to update national policy statements, which are the cornerstones of the planning system for major infrastructure.

**Lord Naseby (Con):** Does the Minister of the new Government fully appreciate the problems of His Majesty's exporters, particularly from the east Midlands and the surrounding areas? There are major congestion and delays en route to Dover for our vital exports. Against that background, can His Majesty's Government do everything within their power to ensure that this second crossing, so vital to the future success of our country, actually happens?

**Lord Hendy of Richmond Hill (Lab):** I can fully understand the national issues regarding congestion at the Dartford Tunnel and the M25, but it is important that the arguments both for and against such a large

project are properly examined and that a decision about the project is properly made. We of course hope that we will be able to answer this within the extended timescale given.

**Baroness Randerson (LD):** My Lords, this is clearly a cautionary tale about the failures of the previous Government to manage large infrastructure projects. But is it not also a warning that, on our crowded island, our economy cannot operate effectively unless the new Government take firm and swift action in transforming our public transport infrastructure, including transferring freight from road to rail? Does the Minister agree that simply building more roads cannot solve infrastructure congestion?

**Lord Hendy of Richmond Hill (Lab):** Your Lordships' House has already heard some strong arguments in favour of this particular project. The arguments for and against it need to be properly considered in order that, when my right honourable friend the Secretary of State for Transport takes the decision, it is taken on the best possible grounds and considering the arguments both for and against it.

**The Earl of Erroll (CB):** My Lords, I point out to the Minister that this road and rail project will enormously accelerate and enhance our capacity to take the high cube containers from our deep-water ports in Essex directly across to the channel and into Europe, which will enhance our trade, also using environmentally friendly rail. I cannot see what the problem is.

**Lord Hendy of Richmond Hill (Lab):** On the whole, I judge that to be a statement in favour of this project.

**Lord Austin of Dudley (Non-Aff):** My Lords, while he is examining the case for the Thames crossing—yet another expensive infrastructure investment in transport in the south-east—will the Minister also look at the case for the stalled Midlands Metro project and the new tramline that is supposed to go through Dudley and on to Brierley Hill and to help regenerate and boost the economy in the Black Country?

**Lord Hendy of Richmond Hill (Lab):** The Government are committed to a long-term infrastructure plan that considers all the infrastructure needed to grow the economy, create jobs and build housing across Britain. It is a bit of a stretch from Dudley to the M25 at the Dartford Tunnel, but I know that the Government will look at schemes across the country and seek to take the best view of how to invest in them for the best economic future of the country.

**Baroness Vere of Norbiton (Con):** My Lords, the lower Thames crossing, with which I am greatly familiar, is just one albeit large project in the second road investment strategy. Of course, the third road investment strategy is due to start in April 2025, and industry will need certainty as to what it is going to be expected to build. Can the new Government commit to keeping the level of spending commitments that the previous Conservative Government had, or will we see spending on new roads slashed in future?

**Lord Hendy of Richmond Hill (Lab):** A long-term infrastructure plan for Great Britain, concentrating on growth, jobs and housing, needs to embrace all those projects that will most contribute to economic growth. I cannot say at the moment whether the third iteration of the road investment plan will be there in its entirety, but it will be looked at very carefully in the department and by Ministers in order to choose the best and most feasible projects—the ones that will deliver the most for the benefit of the country's economy.

## Spending Commitments to Local Councils *Question*

3.22 pm

*Asked by Baroness Thornhill*

To ask His Majesty's Government whether they intend to review existing spending commitments made to local councils.

**Baroness Thornhill (LD):** In asking the Question standing in my name on the Order Paper, I declare my interest as the vice-president of the Local Government Association.

**The Parliamentary Under-Secretary of State, Ministry of Housing, Communities and Local Government (Baroness Taylor of Stevenage) (Lab):** My Lords, mayors, leaders, councillors and officers around the country have done an amazing job of supporting their communities, but too often in recent years that has been in spite of the Government and not with them. This Government are committed to ensuring that councils have the resources they need to provide public services to their communities in this Parliament. Of course, spending commitments beyond 2024-25 are a matter for the next spending review, but the work of engagement has already begun.

**Baroness Thornhill (LD):** I thank the Minister for her Answer and warmly welcome her to her new role, for which she is most ably qualified. I am pleased to hear what she has to say, but this money is crucial. Can she be specific about a timeframe as to when councils will hear whether they have got the money? We are talking about many millions of pounds, in certain cases. More importantly, can she reassure the sector that, when decisions are made, they will involve looking at how advanced those projects already are, how much money has already been spent and, in particular, the impact on the financial sustainability of the council if it does not get the promised money? As she knows, for some councils that is critical.

**Baroness Taylor of Stevenage (Lab):** My Lords, I thank the noble Baroness for her kind comments. We worked together often in Hertfordshire, and I hope that that relationship continues. Local places will rightly seek clarity on existing funding commitments, but as all noble Lords would expect, the Government are fully considering funding arrangements, including the very hard work that has been undertaken on projects to date. We will confirm as quickly as possible how we are going to take those projects forward.

**Baroness McIntosh of Pickering (Con):** My Lords, I congratulate the noble Baroness most warmly on her new position. I remind her that she spoke from these Benches less than two months ago saying that the existing spending commitments for local councils on drainage authorities were insufficient. Does she still hold that view?

**Baroness Taylor of Stevenage (Lab):** My Lords, we all know that for too long funding and support for local leaders has been fragmented and inconsistent, and the noble Baroness rightly raises the issue of those authorities that have drainage levies imposed on them. We will continue to look at that issue. I did raise it and indeed I have had correspondence since I took up this new role, so we will continue to look at that.

**Lord Laming (CB):** My Lords, the noble Baroness has vast experience on this subject. Has she had the opportunity to study the recently published report by the Institute for Government entitled *Fixing Public Services*? It sets out in graphic terms the current situation following 10 years where demand for services has increased, but funding has not kept pace with any of it. The report suggests that unless action is taken urgently, some services for very dependent elderly and disabled people and children seriously at risk will reach a state of collapse. Can the noble Baroness assure the House that this will be prevented?

**Baroness Taylor of Stevenage (Lab):** My Lords, neither I nor this Government are under any illusion about the scale of the pressures that local authorities are facing. Successive years of underfunding and increasing demand for services have left councils experiencing significant budget pressures and vulnerable to shocks, impacting the services that they provide to local people—these are key services, as the noble Lord set out. These will all have to be considered as part of the next spending review and I am sure that key adult care and children's services will be very high on the list. I will look at the report with great interest.

**Lord Young of Cookham (Con):** My Lords, I welcome the noble Baroness to her post. Further to the question about spending commitments, can she confirm that the firm commitment in the Labour manifesto,

“Labour will not increase taxes on working people”,  
applies to council tax?

**Baroness Taylor of Stevenage (Lab):** I thank the noble Lord for his question. Council tax increases, of course, are ultimately decided by local authorities, but the Government are committed to keeping taxes on working people and households as low as possible. We will carefully consider the impact on councils and taxpayers before making any decisions on taxes. Decisions on referendum principles will be part of the next spending review process and of course we will seek the views of local government before we take any decisions on those.

**Baroness Scott of Bybrook (Con):** My Lords, since the noble Baroness, Lady Thornhill, tabled her Question, I understand that a number of local councils have had spending commitments suspended, including Harlow

in Essex, which is now set to lose out on £20 million towards the rebuilding of its town centre. Can the Minister tell me how many councils have had these disappointing letters, and what the Government plan to do to support councils such as Harlow which were relying on these commitments to deliver growth and regeneration that I am sure His Majesty's Government would want to support?

**Baroness Taylor of Stevenage (Lab):** My Lords, there has to be a short pause while we seek clarity on existing funding commitments, as I said earlier. The Government are fully considering those funding arrangements and I know that a great deal of work has been put in. Many of those projects are aligned with the growth that we want, and we hope to be able to give all local authorities the answers in very short order.

**Lord Sahota (Lab):** My Lords, the LGA estimates that one in 10 local authorities are on the brink of bankruptcy due to the lack of proper funding by the previous Government. What is the new Government's policy to avert this disaster?

**Baroness Taylor of Stevenage (Lab):** Under the previous Government, 19 councils needed to seek additional support from the Government to balance their budgets for this year. This Government are committed to ensuring councils have the resources needed to provide those public services. We are already working closely with local government and other departments to understand the specific demand and cost pressures facing them. We urge any council experiencing financial difficulties to approach the department as early as possible so we can help work through a plan to resolve them.

**The Earl of Clancarty (CB):** My Lords, councils have many demands placed on them, but a test of how effective the Government will be is whether they can reverse the cuts to cultural and leisure activities, including libraries. This is for the simple reason that they have usually been the first services to be cut.

**Baroness Taylor of Stevenage (Lab):** The noble Lord is a great champion of libraries, culture and arts in this Chamber. The severe pressure that local authority funding has come under in recent years has had a particular impact there. We will want to look closely at whether we can help alleviate those pressures. Libraries provide such a fantastic resource for our communities, as do the leisure facilities that local authorities provide.

**Lord Scriven (LD):** My Lords, I declare my interest as a vice-president to the Local Government Association. Will the Government support a pilot in one area, as laid out by the Institute for Government, for a small tax assignment scheme to test what it says will be the positive impact for local areas' revenue? If not, why not?

**Baroness Taylor of Stevenage (Lab):** I am sure that officials in my department are looking with great care at the report concerned. We will consider all the recommendations in it with due care, as we always would.



**Lord Hodgson of Astley Abbotts (Con):** My Lords, what plans do the Government have to update the council tax bandings? They were last reviewed in 1991 so are now virtually meaningless.

**Baroness Taylor of Stevenage (Lab):** We know that the council tax banding system has been around for a very long time. In recent years, it has been important to keep the stability of funding for local councils because of the pressure they have been under. We will continue to make sure we get the balance right between local autonomy on funding and the financial pressure on residents. However, long-term funding stability in the wider local government funding system should help that. As for looking at the banding system, that could cause the kind of disruption that would make life even more difficult for local authorities.

**Lord Lucas (Con):** My Lords, will the Government look carefully at whether the burden of funding homelessness could be more equitably distributed between councils?

**Baroness Taylor of Stevenage (Lab):** My Lords, homelessness is one of the most serious issues that local authorities have had to deal with; it has caused immense pressure on their finances and immense distress to the people affected by it. This morning, we heard from Oxford Economics and Skipton Group that only one in eight renters can afford to buy property. We must address this and deliver the long-term solutions that are needed. We will develop a new cross-government strategy, working with mayors and councils across the country to get us back on track to ending homelessness once and for all. I hope we can also scrap the Vagrancy Act 1824 and get that off the statute book.

## Conduct Committee

## Finance Committee

## House of Lords Commission

## Liaison Committee

## Procedure and Privileges Committee

## Services Committee

### *Membership Motions*

3.32 pm

*Moved by The Senior Deputy Speaker*

### *Conduct*

That a Conduct Committee be appointed and that, as proposed by the Committee of Selection, the following members be appointed to the Committee:

Garnier, L., Kidron, B., Mallalieu, B., Manningham-Buller, B. (Chair), Scriven, L.

That the following be appointed as lay external members of the Committee:

Cindy Butts, Mark Castle OBE, Andrea Coomber, Vanessa Davies.

That the quorum of the Committee shall be three Lords members and two lay members;

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

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

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

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

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

### *Finance*

That a Select Committee be appointed to support the House of Lords Commission by:

(1) Considering expenditure on services provided from the Estimate for the House of Lords,

(2) Reporting to the Commission on the forecast outturn, Estimate and financial plan submitted by the Management Board,

(3) Monitoring the financial performance of the House Administration, and

(4) Reporting to the Commission on the financial implications of significant proposals;

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

Blake of Leeds, B., Buscombe, B., Courtown, E., Goudie, B., Morse, L. (Chair), Reay, L., Redesdale, L., Stoneham of Droxford, L., Young of Old Windsor, L.

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

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

That the reports of the Committee be printed, regardless of any adjournment of the House.

### *House of Lords Commission*

That a Select Committee be appointed to provide high-level strategic and political direction for the House of Lords Administration on behalf of the House and that, as proposed by the Committee of Selection, the following members be appointed to the Committee:

Gardiner of Kimble, L. (Deputy Chair), Kinnoull, E., McIntosh of Hudnall, B., McFall of Alcluith, L. (Chair), McLoughlin, L., Morse, L., Newby, L., Scott of Needham Market, B., Smith of Basildon, B., True, L.

That Charlotte Moar and Nora Senior be appointed as external members of the Committee;

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

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

That the reports of the Committee be printed, regardless of any adjournment of the House.

*Liaison*

That a Select Committee be appointed to advise the House on the resources required for select committee work and to allocate resources between select committees; to review the Select Committee work of the House; to consider requests for Special Inquiry Committees and report to the House with recommendations; to ensure effective co-ordination between the two Houses; and to consider the availability of members to serve on committees; and that, as proposed by the Committee of Selection, the following members together with the Senior Deputy Speaker be appointed to the Committee:

Bach, L., Bichard, L., Blencathra, L., Collins of Highbury, L., Garden of Frognal, B., Haskel, L., Howe, E., Kinnoull, E., Taylor of Holbeach, L., Walmsley, B.

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

That the Committee have power to appoint specialist advisers;

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

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

That the reports of the Committee be printed, regardless of any adjournment of the House.

*Procedure and Privileges*

That a Select Committee on Procedure and Privileges be appointed; and that, as proposed by the Committee of Selection, the following members together with the Senior Deputy Speaker be appointed to the Committee:

Bull, B., Haskel, L., Humphreys, B., Kennedy of Southwark, L., Kinnoull, E., Lisvane, L., McFall of Alcluith, L., McNally, L., Newby, L., Pitkeathley, B., Sanderson of Welton, B., Sherbourne of Didsbury, L., Smith of Basildon, B., Stoneham of Droxford, L., Strathclyde, L., Taylor of Bolton, B., True, L., Williams of Trafford, B.

That the following members be appointed as alternate members:

Caithness, E., Collins of Highbury, L., Goddard of Stockport, L., Gohir, B., Laming, L.

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

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

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

That the reports of the Committee be printed, regardless of any adjournment of the House.

*Services*

That a Select Committee be appointed to support the House of Lords Commission by:

(1) Agreeing day-to-day policy on member-facing services,

(2) Providing advice on strategic policy decisions when sought by the Commission, and

(3) Overseeing the delivery and implementation of both;

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

Faulkner of Worcester, L., Hogan-Howe, L., Howard of Rising, L., Hussein-Ece, B., Kinnoull, E., McIntosh of Hudnall, B. (Chair), Stedman-Scott, B., Stoneham of Droxford, L., Wheeler, B., Williams of Trafford, B.

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

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

That the reports of the Committee be printed, regardless of any adjournment of the House.

*Motions agreed.*

**Arrangement of Business***Announcement*

3.33 pm

**Lord Kennedy of Southwark (Lab Co-op):** My Lords, before we resume the debate on the King's Speech, I thought it would be helpful to the House to remind all Back-Bench speakers that the advisory speaking time today is five minutes. That means that when the clock has reached four minutes, noble Lords should start making their concluding remarks, and when the clock hits five minutes, their time is up.

We have a long day ahead of us and the expected rising time is 11 pm. If every Back Bench speaker spoke for an additional 30 seconds, the estimated rising time would move to 11.40 pm. I ask all noble Lords to please stick to the advisory time. I have asked the Whips on the Government Bench, if necessary, to remind Members not to go over the allotted time.

**Lord Forsyth of Drumlean (Con):** Further to the point made by the Chief Whip, what effect does he think the Labour Party's manifesto proposal to increase participation rates in the House will have on the length of speeches?

**Lord Kennedy of Southwark (Lab Co-op):** I thought that the manifesto proposal was to ensure participation, not to increase participation.

**King's Speech (4th Day)***Debate (4th Day)*

*Principal topics for debate: Economic growth, infrastructure and employment.*

3.36 pm

*Moved on Wednesday 17 July by Lord Reid of Cardowan*

That an humble Address be presented to His Majesty as follows:

"Most Gracious Sovereign—We, Your Majesty's most dutiful and loyal subjects, the Lords Spiritual and Temporal in Parliament assembled, beg leave to thank Your Majesty for the most gracious Speech which Your Majesty has addressed to both Houses of Parliament".

**The Minister of State, Department for Science, Innovation and Technology (Lord Vallance of Balham) (Lab) (Maiden Speech):** My Lords, it is a great honour to open this adjourned debate on His Majesty's most gracious Speech. Today's debate will focus on economic growth, infrastructure and employment, but before I turn to today's debate I should say that I believe it is customary for new Members of your Lordships' House to offer some personal remarks.

I start by saying how grateful I am to the many noble Lords of all sides and the wonderful and patient staff here who have already made me feel most welcome. I also thank my supporters for my introduction last week: the Minister, my noble friend Lady Jones of Whitchurch, and the noble Baroness, Lady Manningham-Buller, who has provided advice and support to me on more than one occasion.

My family comes from Cornwall, and I grew up in a small hamlet called Greenbottom, near Truro. My mother came from the Isles of Scilly. However, when thinking about the name I should bear when taking my seat on these red Benches, I decided that perhaps neither Greenbottom nor Scilly were quite right. I plumped for Balham. Some of your Lordships of a certain vintage will recognise it as the famous gateway to the south.

I am a doctor and scientist and have worked in the NHS, academia, industry and government. It is an enormous pleasure and privilege now to be joining your Lordships' House with its reputation for expertise and wisdom. I am at heart a scientist. Karl Popper said:

"Science may be described as the art of systematic oversimplification".

He reminded us that

"Knowledge can only be finite, while our ignorance must necessarily be infinite",

while

"ignorance is not the absence of knowledge, but the refusal to acquire it".

However, in my time as the Government Chief Scientific Adviser I found that the scientist's approach does not always align perfectly with that of others. A scientist will often be pleased to find that the results of new experiments showed that what they held to be true was in fact wrong and the world is not quite as they thought it to be. This process of discovery and self-correction is, of course, at the very heart of the scientific method.

I discovered, however, a little philosophical difference. In some political and media circles, changes resulting from new evidence may not always be so readily welcomed. Indeed, they are instead that most dreaded of things: a U-turn. I look forward to welcoming changes based on scientific findings, advances in technology and innovation.

I shall turn to today's debate, but first I must extend a warm welcome on behalf of the whole Chamber to my noble friend Lord Timpson and my noble and learned friend Lord Hermer, who have been introduced today, as well as to the noble Lord, Lord Petitgas, who will give his maiden speech today and I hope share some of the invaluable business experience he brings to your Lordships' House. Your Lordships will also hear from my noble friend Lord Livermore, who will

wind up this evening. With his deep experience, and the expertise and insight in evidence on all sides of the Chamber, I look forward to the debate ahead.

The programme of legislation put forward in His Majesty's gracious Speech is, in essence, about potential and how to realise it. Noble Lords will know that talent, energy and ambition are found in abundance right across the four nations of our union, from the Isles of Scilly to the Shetlands. However, they will also know that, far too often, our communities are unfairly held back by an economy that does not deliver for them.

Decades of low growth and lower investment mean that we risk falling behind international competitors, and it is hard-working people who will pay the price. That is why, as we set about the work of rebuilding Britain brick by brick, innovation by innovation, we have made growth our national mission. Without growth, we cannot answer the profound challenges that our country faces. It is growth that will provide the good jobs that hard-working people deserve, improve the public services they depend on and make people better off, and it is growth that the measures set out in His Majesty's gracious Speech will deliver.

That plan starts with economic stability. We have been clear that we will not risk public trust or market credibility in the pursuit of political convenience. To put it simply, that means no more unfunded spending commitments. Each of the measures set out in His Majesty's gracious Speech has sound money as its bedrock. Every decision will be shaped by strong fiscal rules designed to deliver a balanced budget and drive down the national debt.

The Budget Responsibility Bill will enshrine that commitment—the fiscal lock—in law, ensuring that every significant change to tax and spending is subject to independent assessment from the OBR. My noble friend Lord Livermore will have more to say on this later. Stability is where we start, but your Lordships should not take that stability to signal a lack of ambition. Long-term growth—growth that involves every person and every community, in a strategic partnership with business—requires change, and His Majesty's gracious Speech shows that we are ready to turn the page.

Since the global financial crisis, the United Kingdom has been plagued by low productivity. Today, real average weekly earnings have only just returned to 2008 levels. Millions remain stuck in insecure work, and millions more are without work at all; the number of workers inactive due to long-term sickness is close to an historic high. These headline statistics also hide insidious inequalities. The national gender pay gap stands at over 14%, and a quarter of reported sexual harassment takes place at work. This is patently appalling. I am sure noble Lords will agree that, in modern Britain, it cannot continue.

Work must pay, no matter who you are. The employment rights Bill is born from that belief. It will empower British people with workplace rights that are fit for a modern economy by helping more people to stay in work—and ensuring that work puts more money in their pockets. It will not just grow the economy but will ensure that the benefits of growth are felt by all.



[LORD VALLANCE OF BALHAM]

A modern workplace is necessary for sustainable growth but it is not sufficient. That brings me to infrastructure. Tomorrow's economy brings demands, from laboratories and gigafactories to large-scale computers and digital infrastructure, and of course the infrastructure requirements for clean energy. Yet, from roads to railways and reservoirs, Britain's basic infrastructure is too often the stuff of yesterday. This is not for want of trying. Many businesses have told us that they are ready to build, but burdensome planning regulations and a fragmented investment landscape prevent them from doing so.

In our cities, the sight of brownfield land sitting unused and abandoned is all too common. This House may recall the tale of a £2.5 billion data centre blocked for spoiling the views over the M25. Far be it from me to take a view on the aesthetic merits of one of Britain's great scenic motorways, but I am confident that we can all agree on one thing: confused infrastructure and investment policies are a brake on Britain's growth. To kick-start our economic engine, we must remove that brake. In His Majesty's Gracious speech, we have taken our first steps to doing that.

By accelerating the planning process for housing and streamlining the delivery of major infrastructure projects, the planning and infrastructure Bill will unlock much-needed development at an unprecedented speed and scale. We will also consider how we can remove blocks to the growth of our data-centre sector—the largest in Europe—including changes to planning rules, designating the sector as critical national infrastructure, and introducing a stable regulatory environment to improve security and resilience.

Infrastructure will be a driving force behind our industrial strategy. Guided by the Industrial Strategy Council, which we will put on a statutory footing, this long-term plan will provide business and investors with the certainty and stability they need to invest and grow.

The national wealth fund is anchored in those same values. It will align the UK Infrastructure Bank and the British Business Bank under a permanent institution that provides a coherent offer for business and a compelling proposition for investors. By working closely with regional mayors, the fund will strategically deploy public capital to deliver long-term growth and prosperity for communities in every corner of the country. By mobilising billions more in private capital, its impact will be transformative, creating thousands of good jobs for British people in the industries of the future.

Science and technology can improve the lives and life chances of our citizens by driving economic growth, improving public services, and providing resilience and security. Government has a vital role to play in making that possible. It is only by realising the full potential of technological innovation that Britain's businesses will succeed, Britain's public services will modernise and the British people can prosper. Our task therefore is to accelerate innovation, investment and productivity as essential elements of Britain's industrial strategy. Our approach combines discovery and delivery, opportunity and security.

The strength of Britain's research sector already provides us with a clear competitive advantage. These islands are home to four of the top 10 universities in the world. We have many more world-class institutions that create the knowledge we need for the future. They act as catalysts and anchors for innovative start-ups and scale-ups. The phrase "Silicon Fen" may lack a certain something, but the story it points to is remarkable. Last year, Cambridge was the most intensive science and tech cluster in the world. It is not just Cambridge: from small satellite manufacturing in Glasgow to compound semiconductors in south Wales, diverse science and tech clusters are creating opportunities for communities up and down the country.

Yet, in each one, the same challenges put prosperity in peril. A lack of laboratory space is stifling the expansion of a life sciences sector which, until now, has been one of our great industrial success stories, employing over 300,000 people and generating over £100 billion in turnover. At the same time, firms are struggling to access the capital they need to grow, and rigid regulation prevents them bringing innovative products to market. If we are to face up to these challenges and provide opportunities for these firms to grow a more productive and prosperous economy, improve our public services and make people better off, we need change.

Once again, the starting point for change is stability. We will scrap short-term funding cycles for certain types of R&D activity, replacing them with 10-year budgets that will provide researchers with an opportunity to form meaningful partnerships with business and to take a long-term view—partnerships that support the cutting-edge research and development needed to remain at the forefront of global innovation.

The economy will not be the only beneficiary, because innovation is an enabler for every one of our national missions. Take artificial intelligence. Today, the UK ranks third in the world for AI talent, start-ups and inward investment. If you go to the so-called Knowledge Quarter—or, as some people call it, the new square mile—in King's Cross, you can see what those statistics look like in reality. Sandwiched between the station and the Francis Crick Institute—Europe's largest biomedical laboratory—a new crop of companies is growing out of the coal drops from which Britain's first Industrial Revolution was born. Goldman Sachs estimates that AI could double the rate of growth since 2010—but that is just part of the picture. Many of the businesses there are harnessing the power of AI to discover solutions to some of our most pressing social and environmental problems.

This is not some distant future. Noble Lords will know that industry is already feeling the impact of the rapid development of large language models. Technologies such as AlphaFold, developed by DeepMind, have shown the transformative effect that AI can have. By predicting the shape of almost every protein in the human body, AlphaFold has ushered in a step change in the understanding of disease and the measures we need to tackle it. We can expect to see more examples like this. This is not an opportunity that we can afford to miss. From breast cancer screening and stroke detection to fraud prevention and personalised education, this



Government are committed to harnessing the power of AI to transform how we deliver public services and boost living standards right across the country.

To do this, we must champion our domestic science and tech sector; and, in a country where 25% of people struggle to engage with the internet and digital devices and 2.1 million people live largely offline, we must remain relentlessly focused on driving up digital skills to ensure that the opportunities of our modern economy are open to all.

We must also lead by example by delivering modern digital government that promotes the responsible and innovative use of technologies, with public services that are more productive, less time-consuming and, frankly, more in tune with how we live our lives. The public sector must walk the walk as well as talk the talk. My department, as the centre for digital expertise and delivery, has been tasked with making that happen.

None of that, of course, is possible without data. We have committed to creating a national data library that will make it easier to access data, deliver data-driven public services, support research and create opportunities for economic growth, while maintaining strong safeguards. These principles also underpin the new digital information and smart data Bill. Putting digital verification schemes, the National Underground Asset Register and smart data schemes on a statutory footing will accelerate research, innovation, investment and productivity. Improved data sharing and standards will make public services more efficient and accessible. In all of this, we will prioritise protecting people's data. We will modernise the Information Commissioner's Office and give it new, stronger powers; and we will introduce reforms to data laws to address the uncertainty that prevents the safe development and deployment of new technologies.

We cannot seize the opportunities of innovation without getting regulation right. Regulators must be equipped to deal with the pace at which new technologies are developing, particularly when they cut across traditional industries and sectors, as they increasingly do. In 2022, more than two-fifths of businesses said that regulation was an obstacle to success. That is why we are establishing a regulatory innovation office. By enhancing regulatory innovation to update rules, speed up approval timelines and co-ordinate issues that span existing boundaries, the office will transform the journey that new technologies take—out of the lab, on to the market and into our lives.

Trust is a central part of this journey. That is why we will bring forward highly targeted legislation to introduce binding regulations on the handful of companies that are developing the most powerful AI models. Ending the regulatory uncertainty for AI in the UK will strengthen public trust, enhance security and boost business confidence.

Nowhere are security risks more apparent than in cyberattacks. In light of last week's global IT outage caused by a failed software update, ensuring that our digital systems are safe and resilient feels more important than ever. In the last 18 months, we have seen devastating cyberattacks at the Ministry of Defence, the Royal Mail and the British Library. A recent attack on the NHS resulted in thousands of appointments and elective procedures being postponed, impacting health provision right across the capital. The CEO of our National

Cyber Security Centre, Felicity Oswald, said earlier this year that these are risks that we cannot afford to ignore. I am sure noble Lords will agree. To reduce the damage from further attacks, we must urgently update our cybersecurity regulations. That is what the cyber security and resilience Bill will do, strengthening our defences and ensuring that digital services that are more essential than ever are protected.

His Majesty's gracious Speech has set out an ambitious long-term strategy to unlock Britain's potential. To deliver sustained growth that will bring prosperity and opportunity to every British person we must build strong and secure foundations anchored in an unwavering commitment to fiscal responsibility and rooted in advances in science and technology. With those foundations, the work of immediate change can begin. From employment rights and regulation to infrastructure and investment, our reforms will rebuild Britain's economy. By combining discovery and delivery, opportunity and security, we will fix our broken public services and make lives better for British people.

3.55 pm

**Lord Callanan (Con):** My Lords, I welcome the noble Lord, Lord Vallance, to the Dispatch Box and congratulate him on his maiden speech. Almost all of us have made a maiden speech in this House and some of us have also spoken from the Dispatch Box, but few of us have made our maiden speeches at the Dispatch Box. It is a nerve-wracking thing to do and those who have done it will have been impressed by the noble Lord's coolness and humour—what we old Brussels hands would call his sang-froid.

The noble Lord, Lord Vallance, was a reassuring presence on our television screens during the pandemic. He was calm, informed and, not least, neutral and impartial. Of course, he has now given up that neutrality and impartiality, becoming the latest in a long line of public officials to join Labour—what I believe is known in Whitehall as “doing a Sue Gray”. Let me say that over the seven years that I spent in government, covering three departments, I worked with many fantastic officials whose neutrality I never had cause to doubt. I know from talking to many of these officials that many senior civil servants are uneasy, to put it mildly, about how easily some of their ex-colleagues become party political the moment they leave the service—although, in fairness, not Sue Gray, who became party political before she left the Civil Service.

I seem to remember the noble Lord, as Chief Scientific Adviser, recommending that Britain restore lockdown measures in December 2021, a call echoed at the time by the Labour Party. Luckily, those calls were ignored and in the event SAGE's alarmist predictions of up to 6,000 more Covid deaths per day were shown to be utter nonsense. It was a moment that comes very rarely in politics, when two alternative policies can be tested against events. One of them was shown to be nonsense. There will doubtless be times when we revisit these moments across the Dispatch Box. For now, I welcome him and wish him well in the important job that he is undertaking on behalf of the Government.

**Noble Lords:** Oh!

**Lord Callanan (Con):** My Lords, let me to this unusually full gracious Speech—bulging, we might almost call it—which contained a great many measures. Your Lordships are going to be kept very busy indeed because, given the size of the Government's majority in the other place, I am not sure that there will be much critical scrutiny happening. However, like everyone else in this House, I am sure, I really do want Britain to succeed. That means that we want the Government to succeed. We on these Benches will support any measure that advances the goals which we share—above all, the Government's stated priority of boosting economic growth.

We know what brings growth. It is sound money—I was pleased to hear the noble Lord's commitment to sound finance—a balanced budget, competitive taxes, a strong private sector, light but effective regulations, public services that deliver for those who need them, a world-class education system and free trade. Almost all of us can agree on those things, but delivering them means making tough choices rather than just talking about tough choices. Only yesterday, we heard the new Chancellor hinting that she would roll over at the first signs of militancy from the public sector trade unions. That “tough choices” rhetoric lasted all of a fortnight. Labour has promised not to raise taxes on working people, and that is good. Let us see how it works out in practice. The pandemic, even without the extra lockdown, pushed taxes to the limit. Bringing them down is a vital part of any growth strategy.

It is worth observing in passing that all taxes are, one way or another, paid by working people. A corporation no more pays corporation tax than your TV set pays its own licence fee. A bank no more pays the bank levy than your house pays council tax. All taxes are paid by human beings—whether directly or as employees, suppliers or customers. When taxes on savings or inheritance go up, the money, ultimately, always comes from working people.

Can we please be spared the tired cliché of, “Oh, dear, we've looked at the books, and things are worse than we thought”? It is worth reminding ourselves of the figures; the last time Labour left office, in 2010, employment was at 70.4%; now, when Labour returns, the figure has risen to 74.4%. Labour bequeathed the Conservatives 7.8% unemployment; the Conservatives are bequeathing Labour 4.4%. When my party took over, the deficit stood at 10.3%; as we leave, despite the pandemic and the energy crisis, it is 3.1%. Let us please not have any nonsense about uniquely difficult legacies or about things being worse than expected. According to the OECD, which has just upgraded its growth predictions, things are better than expected and Britain is outperforming every major European economy.

The question before us is: will the measures flagged up in the King's Speech lift burdens from our productive sector or, indeed, pile them higher? Let us consider some of them; first, the Budget Responsibility Bill. The Conservative Government established the Office for Budget Responsibility in 2010 after seeing what happens when borrowing is pushed up. Its job was to provide independent analysis of the UK's public finances; at the time, Gordon Brown had left us with a deficit forecast to rise to 11.8%. Now, to repeat, the deficit is

4.4% and is forecast to fall to 1.2% in five years' time. But is it really for quangos to determine our fiscal policy? Is it not, in the end, the job of our elected colleagues, primarily in another place? There needs to be a balance, and I am not sure that granting ever more powers to the OBR gets that balance right. After all, who holds the OBR to account when, as frequently happens, it gets its advice wrong? I have no doubt that criticisms will be made of fiscal policy in the years ahead, but they should be made, in the first instance, in this Parliament.

As for the national wealth fund Bill, its name skates fairly close to breaking the Trade Descriptions Act. It does not create a sovereign wealth fund. Indeed, it is far from clear what it will do that is not already covered by the UK Infrastructure Bank or the British Business Bank that were both established and capitalised by the previous Government, and which are up and running and already investing in the green industries of tomorrow.

I was delighted to hear of the Government's commitment to planning reform and new infrastructure, as we need both. This is not new: I was part of a ministerial working group in the previous Government trying to work on reducing those delays. I hope noble Lords opposite will not mind if I share one observation based on that experience: the only way to get things built quickly is to hack through the thickets of, first, judicial review and, secondly, excessive environmental regulation. We will see what Labour makes of those tough choices.

Taking tough decisions is not the same thing as talking about those tough decisions. Noble Lords opposite will remember opposing an amendment to the then Levelling-up and Regeneration Bill that would have unlocked 100,000 new homes, and Labour so far has been silent on whether it will use the powers in the Levelling-up and Regeneration Act to reform those bureaucratic EU legacy laws, environmental impact assessments and strategic environmental assessments. If it does, we will, of course, support it, but I predict that unless these particularly difficult issues are tackled—and they are difficult—we will not see infrastructure being built any faster.

The noble Lord referred to the employment rights Bill. I understand that some trade unions think that they hold IOUs for the financial largesse bestowed on Labour to pay for the election campaign, but the most basic employment right is the right to be employed in the first place, something that is ensured by our flexible labour laws.

The Blair Government understood this, which is why they opposed the EU's attempts at the time to enforce job-destroying legislation on the UK. When I was an MEP, I was happy to work alongside the then Labour Ministers and Government to mitigate some of the worst effects. How sad it is to see Britain, outside the EU, about to adopt unilaterally that which the Blair Government opposed when we were still a member of the EU.

Businesses are already sounding alarm bells, warning against French-style trade union laws. Alex Baldock, the head of Currys, Matthew Percival, a director at the CBI, Rupert Soames, its president, and Archie Norman,

chairman of M&S, are among the business leaders warning of unintended consequences and a loss of investment if we go ahead. There is no point in having generous workers' rights if we have fewer and fewer workers in the first place. If we adopt French-style labour laws, nobody should be at all surprised if we end up with French levels of unemployment.

But I promised to be positive—

**Noble Lords:** Oh!

**Lord Callanan (Con):**—about worthwhile reforms and I am delighted to see the audit reform and corporate governance Bill in the gracious Speech. I oversaw a development of these proposals when I was a BEIS Minister but, unfortunately, I failed at the time to persuade No. 10 that they mattered enough to make the legislative programme. It is good to see them back and I welcome them.

The lockdown is now three years ago and the global financial crisis is but a distant memory. The last of post-Covid inflation has ended, the deficit is falling, we are close to full employment and there is every reason to be optimistic about the future. If Labour can deliver on what it promised, grow the economy, tread more lightly and, over time, bring taxes down, it will have the support of this Front Bench.

4.06 pm

**Lord Fox (LD):** My Lords, it is with great pleasure that I welcome the Ministers to their new positions and congratulate the noble Lord, Lord Vallance, on his excellent maiden speech. I have to say that I am having to readjust; I spent so long looking opposite and finding the noble Lord, Lord Callanan, arguing. However, it is good to see that, in crossing the Chamber, he has lost none of his customary charm.

After years of an out-of-touch Conservative Government who took people for granted and left so many things needing to be done, this King's Speech is very much being portrayed by the Government as a start to putting things right. The people who voted either Labour or Liberal Democrat crave these changes, so we welcome the intentions articulated in this King's Speech and agree that the commitment to uniting the country is vital.

Given the paradoxically marginal nature of the Government's overwhelming majority, unification should come, wherever possible, by reaching across the aisles. We have to reach agreement and work for the stability that we all crave. These Benches will work with the Government where we can to help deliver the changes that our voters so eloquently articulated, in that election.

I will focus briefly on stability, investment, infrastructure and skills, and leave it to others to talk about the important need to better facilitate trade with the European Union, and some technology issues.

The Government have quite rightly made growth their primary objective, and recognise that stability is needed to create the ground on which this can flourish. With the Budget Responsibility Bill, the Government are seeking to anchor economic responsibility into law. This is the anti-Liz Truss Bill and we look forward to the debate when it comes.

However, stability is more than just a law. Stability is projected by how the Government behave, how they make decisions and how they co-operate in the public and private spheres. That is where stability will come, so we very much welcome the news of a statutory industrial strategy council to oversee industrial policy.

At the same time, this King's Speech tacks very much towards bigger government, with state intervention on energy, transport and planning. As I am sure Ministers opposite recognise, success will depend on getting the balance of government involvement right because, in the end, it is private investment that will deliver the growth that we need. For all the potential money in the national wealth fund, meaningful growth will come only if private investment flows. Unlocking that flow of investment is absolutely crucial.

Given we already have a UK Infrastructure Bank and the British Business Bank, and the Government say that they will start by operating through one of these anyway, I would be grateful if the Minister can explain why a third institution is needed to focus what is going on. Can the Minister say what, typically, will the national wealth fund be used for? How will its investments be decided? Will decisions be purely commercial or will strategic issues be included? Will the fund take stakes in businesses? How will those stakes be used—passively or actively?

As we have heard, infrastructure is crucial to delivering growth. To date, much of the commentary around the planning and infrastructure Bill has focused on housing. Of course housing is vital, but when it comes to national productivity it is going to be transport, energy and digital infrastructure that will drive that productivity.

Past Governments have made similar, perhaps less ambitious, plans to tackle the infrastructure challenges we face, but inevitably there is a big time lag before things start to happen. For all the talk of shovel-ready projects, these are few and far between. Ironically, the one shovel-ready project with a proven positive effect on national productivity is the northern leg of HS2, which the Government seem to have decided not to revive. Perhaps the Minister can explain why.

On a wider point, the Government's planning proposals will be challenging to put in place, and we believe that planning must properly involve in some way the communities it affects. The delivery of big infrastructure projects is also an issue, as I am sure all of us in your Lordships' House note. It was surprising that the Government decided not to give the National Infrastructure Commission a statutory role in overseeing national projects. Can the Minister explain how the commission, the UK Infrastructure Bank and the national wealth fund will work together, first in the creation of the long-term plan that was discussed during Questions today and then to improve project delivery once these projects are undertaken?

Finally, I turn to skills. The central question I have on the whole government agenda is: for all the Government's targets, who will lay the bricks, insulate the houses and bring the electricity grid into the modern era? The Skills England Bill seems to lack urgency. Can the Minister explain the timetable for the development of both a plan for skills in this country and its implementation? When will we see any effect from it on the actual workforce?



[LORD FOX]

In coming from the cafeteria today I caught sight of the Prime Minister talking about a migration strategy around skills. It seems clear that, at least in the short term, a sector-based migration strategy will be needed. It would be helpful if the Minister could explain what the Prime Minister was talking about.

I have one other quick win for the Government: they could turn the apprenticeship levy into a wider, more flexible skills levy straight away. We do not need consultation. Everybody who comments on this knows that this is what needs to happen, so why not do it now, and start the process of retraining a broader group of people? There is money left over from the apprenticeship levy that is not being used for skills.

It remains for me only to repeat that uniting the country requires a broad approach to deliver both benefits and stability across our country. We on these Benches will engage positively in all the discussions from this King's Speech and beyond to assist in delivering the stability that this country needs.

4.13 pm

**Lord Morse (CB):** My Lords, I thank the noble Lord, Lord Fox, and warmly welcome the noble Lord, Lord Vallance, to this House and congratulate him on his brilliant maiden speech. I apologise for my husky voice, by the way—there is nothing I can do about it.

It is encouraging to see the new Government putting sustained economic growth at the top of the agenda. Not many would disagree, but the key issue will be how the Government go about putting their objectives into effect, and how they respond when things do not work according to plan. I will explore this in two contexts: how do we strengthen the attractiveness of the UK as an investment target, and how do we reinforce the appetite of UK business to invest and grow?

International investor confidence in the UK has traditionally been high, because we were seen as sound and stable, both fiscally and constitutionally. This has taken a bit of a shaking in recent years. Proposals in the King's Speech for fiscal discipline will help rebuild this in large part, provided that the Government are robust in maintaining that discipline when challenges come—as come they will, and the markets will be watching. We also need to show that the UK has a strong sense of shared responsibility across the political divide, and a stable relationship between the courts and government, which again has lapsed a bit recently.

I turn to UK business and its confidence to invest and grow. A great deal will depend on businesses' assessment of the risk in doing so over the medium term. A planned five-year stability in the corporation tax rates will help provide confidence, provided this apparent stability is not undermined by hidden taxes on business, such as might occur as part of the planned business rates reform. Equally, a shared industrial strategy can help provide business with a stable planning and decision-making background, provided that the industrial strategy council does not turn out to be a way of cramming government and trade union views down on business. It is also very important that it is

not seen as a way of taking somewhat out-of-date solutions, such as nationalisation, and bringing them back into effect. The Government really need to not get hung up on any of these outdated solutions, and to be agile and quick to adapt if they are not working.

Some of the planned reforms may be more difficult to implement than is anticipated. Take the example of the reform of employment law; it would not be surprising if one unwanted result of these changes was a reluctance by employers to recruit because the new employment rights will make it harder for them to let staff go if the business finds itself in trouble. How agile and realistic will the Government be when they face these sorts of difficulties?

Finally, the Government have committed to speak honestly about the issues that this country faces. Are they being honest in the proposed changes to the defined pension rules? Most large UK pension funds have a global portfolio of investments; this spreads the risk and improves investment returns for pensioners. If these funds were pressured into investing a predetermined amount of their portfolio in the UK, this would be unlikely to represent an improvement for pension beneficiaries. In fact, let us be honest, it would probably provide something useful for the Government in their growth policy objectives, and put benefits to pensioners under threat. The Government will need to walk the talk when it comes to honesty and openness—they need to work on that very impressively.

If the new Government succeed in creating an effective partnership with UK business, where UK business feels heard and that its need for stability is understood and provided for, they will have achieved something really valuable and done much to build growth. If we manage to make the UK a more attractive investment target again, we will all benefit from that. I offer my best wishes to this new Government, and wish for their success in the national interest.

4.20 pm

**The Lord Bishop of Leeds:** My Lords, I am not an economist, but I care deeply about the economy. I shall limit myself to a couple of observations, and I am sure that I can save a few minutes in the length of the debate.

First, I welcome the Minister and thank him for his illuminating and articulate speech. I admire the new Government's ambitions, but I worry a bit that there is too much. Holding all this together in a coherent development framework will be challenging beyond words, but I wish the Government well in doing it.

I want to plead for honesty from the Government and a good communication strategy to explain to the rest of us in the country who are not economists how all this is going to be rolled out. When it fails—elements will fail for a host of reasons, not usually intentional—the Government must trust the electorate and tell us the truth. When timelines do not work and get delayed, trust us and tell us the truth so that we know what is going on. We need to be treated like adults. I understand the need to adhere to the fiscal rules, but the Government choose what those rules are, so if they have implications for the rest of us, that needs to be explained clearly in language that can be understood by people like me.



What I am glad about in the gracious Speech is that we seem to have a programme that takes long-termism seriously. I hope that can be stayed with during this very ambitious programme, where the immediate will sometimes compromise the longer term. We need long-term thinking. I speak as someone who lives in the north of England and who has to use transport north and south but also east and west. The problems that we have with rail were mentioned earlier. The amount of money that has been invested in London and the south is light years above what has been invested in the north so far. I wonder whether the northern powerhouse is turning into a northern small battery, but that is to be seen.

There are a number of issues in relation to employment that really impact us in the north. Universities—I am familiar with a number in west Yorkshire—are now struggling and making people redundant, because we do not have students coming in from abroad. I know that raises questions about the models for investing in students, but we can talk about creating employment at the same time as we are losing employment in significant areas. One of the factors involved in that is access to good communications, especially rail and road. I came to this House 10 years ago, and I remember saying at the time that only way effectively you can get from east to west and from west to east is along one road, the M62. There is nothing else. What happens to the north-east when the A66 is snowed under, I suspect even in the summer? The rail links are appalling, whatever investment has gone in. I now have to get my PA to book trains north-south to get down here, knowing that if my train is cancelled I can get the one before or the one after and still get here for what I need to be here for. That is terrible in a country like this.

What about the issues we have with water? The failed experiment of the past 40 years, where pockets of individuals have benefited from much of our privatised utilities, needs to be addressed. I read the other day—I cannot remember the numbers—that the CEO and the CFO of Yorkshire Water have received more than £500,000 in bonuses. I work in a business that does not quite understand bonuses, because I do not get a salary, I get a stipend, but I always thought that a bonus was there to reward going beyond what you are employed to do. So why are people getting bonuses for abject failure where the money goes into the pockets of shareholders at the expense of consumers? This is a moral issue as well as an economic issue. I hope that the Government will address this as they go forward.

So I come back to where I began and say that I admire the ambition, but we have to be careful that we do not lose it as we go.

4.24 pm

**Baroness Drake (Lab):** My Lords, I declare my interest as a trustee of DB—defined benefit—and master trust pension schemes.

The Government's mission to deliver sustained economic growth conveys an energy and purpose that I truly believe the country needs. Investment in the UK has been too low. The perception of government instability has made Britain a less attractive place to invest in. Restoration of good governance and stability of policy will be integral to increasing that investment.

Reinvigorating our capital markets is triggering a review of our pensions industry, now worth over £2 trillion. Some £1.2 trillion is in closed DB schemes. Consequent to auto-enrolment, there is projected to be £800 billion or more in DC—defined contribution—schemes by 2030. Private DC may overtake DB pension savings within 10 years; more so if the statutory minimum auto-enrolment contributions are increased.

That reality raises major issues of policy as to the appropriate governance and regulation applied to those private savings, which are supported by £50 billion plus per annum in different forms of tax relief. The pensions sector is a major allocator of capital, which can negatively affect the efficiency of the wholesale financial markets, markets that are key to driving innovation and investment in our economy. We have deep savings pools, yet reduction in investment in the UK.

Closure of DB schemes led to a focus on guaranteed long-term cash flow away from growth investments, as increasingly beneficiaries became pensioners in payment. Now we see scale buyouts of DB schemes to insurers. The regulatory focus on the DC pension sector's ability to deliver best value for millions of individual savers is gaining momentum.

Both improving the outcomes for UK citizens saving for retirement and achieving sustainable economic growth requires a clear journey plan. The pension sector's role as a major allocator of capital will come increasingly from defined contribution schemes and the £360 billion in the local government pension scheme.

The need to identify and address the barriers to pension schemes investing more in UK productive assets is captured in the first stage of the Government's overarching pensions review.

DC private pension provision is not a normal market; the demand side is driven by a public policy of harnessing employees' inertia and compelling employers. The investment risk is borne by the individual saver, and their interests cannot be overridden, but structural reform to achieve greater consolidation in the market is needed to secure the essential benefits of scale to enable larger schemes to deliver higher returns for savers and invest more in UK productive assets.

The Government need to incentivise a quicker pace of consolidation in the market and create the right investment environment to secure better outcomes for both savers and the economy. The many millions of inactive small pension pots, arising when workers leave their employer, need to be addressed. Previous Governments knew that this was a growing problem, increasing costs and inhibiting illiquid investments, but they have not acted. The Government's move to automatically consolidate these small pots is much needed.

When it comes to retirement, our citizens are not well supported in making the complex decisions about how to access those savings over their retired lives—a problem not only for individuals but for public good outcomes—so it is good news that the Government intend to require trustees of pension schemes to offer people retirement income solutions or a default option when they stop work, not just to hand over a pot of savings.

[BARONESS DRAKE]

The UK economy faces a world of innovation in sciences and technology where other leading economies are investing heavily in infrastructure and the industries of the future. Securing a deep science and technology base is essential to our economic prosperity. Annual investment in energy globally rose to £2.4 trillion in 2022, with approximately three-quarters of that growth attributed to lower-carbon technologies. In the UK, the technology sector is less than 5% of our total market capitalisation.

Public investment where it supports and de-risks additional private investment is being deployed successfully across the world. The creation of a national wealth fund and investable opportunities, with the target of attracting £3 of private investment for every £1 of public investment, is an important move. Yes, it may be a modest start, but it is an essential one in order to get the investment this country needs to achieve sustainable economic growth.

4.29 pm

**Lord Forsyth of Drumlean (Con):** My Lords, I congratulate the Benches opposite on the general election result and the Prime Minister on a famous victory, albeit that he secured half a million votes fewer than he did when campaigning to make Jeremy Corbyn Prime Minister.

The gracious Speech talks about a mission for growth and security. Indeed, listening to the Chancellor yesterday on the BBC, I was impressed by her determination to maintain control on public expenditure and achieve growth in the economy. The noble Lord, Lord Vallance, whom I congratulate on his speech and his appointment to this House, emphasised that and even quoted Karl Popper, who is of course famous for the theory of falsification.

I congratulate the noble Lord, Lord Livermore, who served on the Economic Affairs Committee. I am sure he will do a fantastic job at the Treasury as he copes with the disastrous debt consequences of lockdowns carried out without any impact assessment and funded by conjuring £400 billion out of thin air, with disastrous consequences in inflation and the cost of living crisis with which we are all now grappling.

The gracious Speech itself was positively Orwellian in its use of doublethink. For example, we are told that the Government are going to tackle the housing crisis—indeed, a Minister said earlier that she would end homelessness—yet the gracious Speech will prevent flat owners being able to gain control of their property, which will simply reduce supply, push up rents and make more people homeless.

Within days of taking office, the Minister—against the advice of his officials, we read in the newspapers—decided that all new licences for prospecting in the North Sea would be cancelled, affecting £30 billion of investment and 200,000 jobs.

Letting employees choose when and where they work is also in the gracious Speech. I am sure it is very popular to say that, but it is disastrous for growth and productivity. The only growth that will bring is in daytime TV audience figures.

Then there is taking desperately needed capital away from public services, such as the health services and local government, to create Great British Energy and renationalise the railways. Is there a shortage of investment in energy? Yes, if the Government have their way and cancel those licences. There is plenty of private capital, and public capital is desperately needed.

Making it pretty well impossible to dismiss poor performers—and, as a result, to take on untried young starters—will not help with productivity or help small businesses, which will reduce their rate of expansion and be lumbered with costs in coping with these measures.

Lastly, the Government are contracting out the Chancellor's job—I thought they were against contracting out—to the OBR. It is a quango, a bunch of civil servants whose record on forecasting is abysmal. Even this month they underestimated the debt, which they thought would be £11.6 billion; it turns out to be £14.6 billion. That difference is more than twice what they hope to raise by putting VAT on school fees. The doublethink in that matter is in the gracious Speech, which says that the Government want to

“raise standards in education and promote children's wellbeing”. What, by taxing education? They will be the first Government in the world to tax education, forcing young children to leave their schools as their parents cannot bear the burden of that tax. What a disgraceful policy—and about the only one that Labour articulated during the general election.

I congratulate the Liberal Democrats on highlighting social care throughout the election campaign. There is not a mention of it in the gracious Speech, yet it is central to solving the problems of the health service and local government financing.

According to “Panorama”, Ministers say they want to restore trust in politics—but not with this King's Speech. It reminds me of those lines from *The Jungle Book*:

“Dreaming of deeds that we mean to do,  
All complete, in a minute or two—  
Something noble and grand and good,  
Won by merely wishing we could”.

4.34 pm

**Lord Clement-Jones (LD):** My Lords, I refer to my interests in the register. I join in congratulating all the new Government Ministers and Whips on their appointments. As the DSIT spokesperson on these Benches, I give a particularly warm welcome to the noble Lord, Lord Vallance of Balham, and his excellent maiden speech. While he was the Government's Chief Scientific Adviser, he was pivotal in setting up the Vaccine Taskforce and in organising the overall strategy for the UK's development and distribution of Covid-19 vaccines, and we should all be eternally grateful for that.

I warmly welcome the noble Baroness, Lady Jones of Whitchurch, to her role. We have worked well together outside and then inside this House, and I very much want to constructively engage with both Ministers on the Government's science and technology agenda. I also thank the noble Viscount, Lord Camrose, for his engagement when in the department, and for his courtesy and good humour throughout.

I welcome the Government's agenda for growth through innovation, their mission to enhance public services through the deployment of new technology and DSIT's central role in that, opening up what can be a blocked pipeline all the way from R&D to commercialisation—from university spin-out through start-up to scale-up and IPO. Crowding in and de-risking private investment through the national wealth fund, the British Business Bank and post-Mansion House pension reforms is crucial. Digital skills and digital literacy are also crucial but, to deploy digital tools successfully, we need a pipeline of creative critical thinking and collaboration skills as well.

In this context, I very much welcome the new Government's tone on the value of universities, long-term financial settlements and resetting relations with Europe. I hope this means that we shall soon see whether spending plans for government R&D expenditure by 2030 and 2035 match their words. Disproportionately high overseas researcher visa costs must be lowered, as the noble Lord, Lord Vallance, knows.

But support for innovation should not be unconditional or at any cost, and I hope this Government will not fall into the trap of viewing regulation as necessarily the enemy of innovation. I therefore hope that the reference to AI legislation, but the failure to announce a Bill, is a mere timing issue. Perhaps we can hear later what the Government's intention is in this respect. Before then, we are promised a product safety and metrology Bill, which could require alignment of AI-driven products with the EU AI Act. This seems to be putting the cart well in front of the regulatory horse.

We need to ensure that high-risk systems are mandated to adopt international ethical and safety standards. We all need to establish very clearly that generative AI systems need licences to ingest copyright material for training purposes, just as Mumsnet and the *New York Times* are asserting, and that there is an obligation of transparency in the use of datasets and original content. The Government in particular should lead the way in ensuring that there is a high level of transparency and opportunity for redress when algorithmic and automated systems are used in the public sector, and I commend my forthcoming Private Member's Bill to them.

As regards the Bills in the King's Speech, I look forward to seeing the details, but the digital information and smart data Bill seems to be heading in the right direction in the areas covered. I hope that other than a few clarifications, especially in research and on the constitution of the Information Commissioner's Office, we are not going to exhume some of the worst areas of the old DPDI Bill, and that we have ditched the idea of a Brexit-EU divergence dividend by the watering down of so many data subjects' rights. Will the Government give a firm commitment to safeguard our data adequacy with the EU? I hope that they will confirm that the intent of the reinstated digital verification provisions is not to have some form of compulsory national digital ID, but the creation of a genuine market in digital ID providers that give a choice to the citizen. I hope also that, in the course of that Bill, Ministers will meet LinesearchbeforeUdig and provide us all with much greater clarity around the proposals for the national underground asset register.

As for the cyber security and resilience Bill, events of recent days have demonstrated the need for cybersecurity, but have also made it clear that we are not just talking about threats from bad actors. There needs to be a rethink on critical national infrastructure such as cloud services and software, which are now essential public utilities.

Finally, I hope that we will see a long-awaited amendment of the Computer Misuse Act to include a statutory public defence, as called for by CyberUp, which was recommended by the Vallance report, as I recall. I very much hope that there will be no more Horizon scandals. I look forward to the Minister's reply.

4.41 pm

**Lord Kakkar (CB):** My Lords, I join other noble Lords in congratulating the noble Lord, Lord Vallance of Balham, on his excellent maiden speech and the very thoughtful way in which he has introduced today's debate. In so doing, I remind noble Lords of my own interest—in particular, that I am chairman of King's Health Partners, UK Biobank and the Office for Strategic Coordination of Health Research, as well as serving as chancellor of the University of Lincoln.

In opening this debate, the noble Lord identified the importance of science and innovation to so many elements of His Majesty's Government's current agenda. The mission agenda ensures that the impact of economic growth benefits citizens as quickly as possible. Among the different domains and disciplines of science, life sciences play a particularly important role in providing the opportunity not only for substantial wealth creation in the economy but for substantial health gain, as the product of life sciences innovation is applied to practice in the NHS and, most importantly, to preventing ill health.

The Minister identified a number of potential hurdles that need to be overcome to ensure that the life sciences industry in our country and the broader ecosystem can progress at a rate that can make a meaningful impact. He mentioned the need for the development of new infrastructure and to secure growth funding to allow spin-outs and small-stage companies to develop at the pace that will provide maximal opportunity.

There are four other important areas that require very careful and immediate attention from His Majesty's Government if the true potential of life sciences in our country is to be realised. I would be grateful if the Minister who will close the debate—my noble friend Lord Livermore—might be able to reflect on what approach His Majesty's Government are going to take.

First, there is the question of free movement of scientists into our country and, in particular, the visa regime that is currently employed and the ease with which it can be used to encourage brilliant scientists to come and settle here and contribute not only to work in our universities but in the broader life sciences sector.

Secondly, there is the question of securing the research science base in our universities. Regrettably, that has been eroded over time. QR funding and full economic cost recovery have not been achieved



[LORD KAKKAR]

appropriately for many years, and now charities and other funders of research find it very difficult to ensure that brilliant research programmes can be applied. We all recognise that overseas student income is a fundamental part of the university business model, to underwrite the opportunity for the science base in our universities. There is uncertainty about the future of large numbers of overseas students coming to our country, and His Majesty's Government will need to address urgently the approach to securing the research base in our universities, which is critical not only to creating the talent that will service the life sciences sector but to securing the intellectual base of many of our research-led universities.

The third area is ensuring that the NHS, under substantial pressure to ensure clinical delivery, does not miss the opportunity to play its vital role in life sciences research and development. We must have a strategy to develop clinical academics, so that this part of the overall workforce continues to be nurtured and we have sufficient clinical academics able to serve and provide the opportunity for clinical translation and the rapid application of innovation to improve human health and outcomes in our National Health Service. This is particularly important since ill health is now such a drag on the economy and therefore, in addition to many other measures, innovation delivered through academic medicine will be vital to overcome that problem.

The final area that needs to be urgently addressed, as the Minister—my noble friend Lord Vallance—identified himself in his maiden speech, is the question of data. It is one thing to talk about or focus on the technological advances that will provide federated platforms for the use of the substantial datasets that we have available in our country, quite unique in the world; it is quite another to secure the social licence that will ensure that there is broad public support for the use of those data to drive forward the life sciences research agenda. Will the Minister comment on the approach that His Majesty's Government propose to take to establish that social licence?

4.46 pm

**Viscount Stansgate (Lab):** My Lords, I am very glad to contribute to today's debate, although it is always a challenge to follow the formidable knowledge of the noble Lord, Lord Kakkar.

This is the first time I have spoken at the beginning of a new Parliament, and from this side of the House. Indeed, in this House, the rearrangement of the seating is the only definite proof that an election has in fact taken place. We now have a Government who have placed science and innovation at the very heart of their economic strategy, which is the subject of today's debate. The appointment of my noble friend the Minister is the clearest evidence of the seriousness of this commitment. It is a wonderful appointment and he is a very welcome addition to this House. He joins a select group of Members whose maiden speech and first ministerial speech, which was excellent, turn out to be one and the same. I also hope the House will allow me to say that in a previous capacity, when for

decades I organised many of the major events involving science and Parliament in the Palace of Westminster, he always took part in these events, no matter how busy he was—and as the Government's Chief Scientific Adviser, he was very busy. He made the time to talk to younger scientists and engineers and to encourage them in their careers and to take part in public life. I am sure he will continue to do so as a Minister.

I welcome the new language now being used to describe our future relationship with Europe on science, not just the progress being made on Horizon Europe, which was the subject of my first ever Oral Question, and such initiatives as greater youth mobility within Europe and our possible reintegration with the Erasmus scheme, but above all on re-establishing trust, so that the UK can be considered a reliable partner again when it comes to science and research.

I am sure the Minister will agree that as we develop renewable energy, the fact remains that the UK will still need strategic access to energy when it happens that the wind does not blow and the sun does not shine. We are going to need a strategic energy reserve. The Science and Technology Committee, of which I am a member, recently published our report *Long-duration Energy Storage*, and gave it the subtitle *Get on with It*. This was for a reason, because there is little time to lose. I hope the new Minister will be able to make progress and take advantage of any forthcoming changes in planning laws.

There are also new opportunities for the future that we simply must not miss, such as in engineering biology. It is a transformative technology, already acknowledged as one of the five critical technologies of the future, and I hope the House will have the opportunity to debate some of these exciting new opportunities in the future.

If the Government want science and innovation to pave the way for greater economic growth, it is going to require the greatest investment to unlock this potential. We need to reach the target R&D spend of our major competitor nations, alongside the development of a long-term industrial strategy that provides the stable framework for investment in science. As a country, we have a great reputation for scientific innovation yet, at the same time, a poor record for exploiting the innovation for the benefit of our economy, leaving it too often to other countries to exploit it commercially. In the decade of national renewal that lies ahead, I very much hope the Government and the new Minister of Science will succeed in reversing this dismal pattern. If we can dispense with the scientific phrase "valley of death" once and for all, that would be very good progress.

However, this is not just a debate about what the Government do. It is vital that Parliament has strong links with the science community outside the House, getting access to the widest range of advice as possible, and that Parliament fully supports the machinery that connects science to Parliament. A major part of this connection is the Parliamentary and Scientific Committee, which is by far Parliament's oldest all-party parliamentary group; it dates back to 1939 when Parliament realised it needed to keep in active contact with the boffins—a term of endearment in those days—from whom much was expected and delivered in the Second World War.



Over the past 85 years, the P&SC has guided Parliament on science issues and helped to educate generations of parliamentarians on the importance of science, technology, engineering and innovation. I am its current president—there are no financial interests, but it is in the register—and with the defeat of our chair in the general election, I now have the responsibility of getting it restarted. If I may use *Hansard* as a publisher, I invite as many of my colleagues as possible, in this place and another place, to Committee Room 4A at 12 noon on Tuesday 30 July for the inaugural meeting. Without this meeting, all the work planned cannot go ahead. It is to Parliament's benefit that it should have access to the widest possible science advice. I commend that approach to the House.

4.51 pm

**Lord Heseltine (Con):** My Lords, it is with some trepidation that I follow the noble Viscount, Lord Stansgate. It is some time since, in another place, I suffered under the lash of his distinguished father, but I learned my trade the hard way and I am delighted to see him in full flow.

I congratulate the Minister on his maiden speech; it was a formidable tour de force and historic analysis of what is wrong with this country. It was well prepared and well polished, but no one should really be surprised because we have heard it from the Front Benches opposite for generation after generation. It is all about the problems of this country and our history and what they intend to do about it, but what they intend to do about it is a very pale part of the speech.

I will give noble Lords just two examples, the first being the skills agency the Prime Minister has talked about today. I was in the other House when we created the Manpower Services Commission. This is just another national quango set up by government for government, centrally to impose policies on somebody else. Look at the skills agenda.

I appreciate the compulsion that Ministers and people on the Opposition Benches feel to lash out at regulation. I was responsible for deregulation, now 20 years ago. I published every one, 3,000 of them. I wrote to every trade association, "I'm your man. Tell me the changes you want. Here is the codicil; give me the examples of change you want". I did not get one single reply. Why? It is because regulation is about the quality of civilised life in our country. It is about the environment, health, safety and a whole range of other issues which politicians trespass upon with care.

There is no greater example—if I may say, a lacuna in the Minister's speech—than Brexit. We have had Brexiteers up to our ears over the last eight years. Where are all the regulations that were holding us back? Did they not prepare the case? Did they not have an agenda when they set up a department called the ministry of Brexit exiting? Was there not someone there who had a list? Of course not. What is now the story? It is, "We were never given the chance; we haven't had time. Give us more time". I think the Minister missed an opportunity in not explaining the damage that Brexit has done and how this Government intend to do something about it.

I want to make a third point: this country is dramatically unlike any other advanced economy. It is top-down dominated. Spending departments, functionally divided, have branch offices in the local authorities. By circular means of one sort or another, they are controlling influences thinking about their functional activities. For what we need today, one has to go back to when I was first in another place, to the Redcliffe-Maud report of 1969. Some 1,300 local authorities became 300; that is broadly where we are today. The Redcliffe-Maud recommendation was for 60 unitary authorities.

We have made massive changes, such as the Labour Government with the mayoralty of London. My noble friend Lord O'Neill, with George Osborne, was deeply involved in the process of introducing mayoral authorities—he is going to speak today. We made massive change. We now have mayoral authorities in the great conurbations of England, governing half of our country. Did the Minister mention the other half—the rest of England? No.

The proposal is simple: we need unitary authorities and an incentive for local people to prepare their plans. They have already done it in the local enterprise partnerships; they are all there in the documentation, ready to go. Where is the money to come from? Of course, there is no new money, but there are buckets of money in the capital programmes now allocated to local government.

The Government should do what George Osborne did and top-slice off it. He did £2 billion a year over six years: £12 billion. That should compare with the new growth fund that the Government are talking about, of £7 billion over five years. It looks like half of what George Osborne did; in just money value, it is about a third of what he did. The money is there if you top-slice it and make local mayoral authorities bid on the basis of plans locally designed by industry, academia and the public sector as to how to make their 60 local economies more effective. That option is available today to the Government, and I can think of no good reason why they do not set the process alight.

4.57 pm

**Lord Liddle (Lab):** My Lords, it is a great privilege to follow the noble Lord, Lord Heseltine. He is the Opposition—Conservative—politician I most admire. There was much of what I agree with in his speech. If his type of Conservative Party had governed this country for the last 14 years, we would be in a hell of a lot better place than we are today.

I also welcome our Ministers to the Front Bench. I was sorry that the noble Lord, Lord Callanan, made an implied attack on the independence and integrity of the noble Lord, Lord Vallance, while he was a civil servant. He brings enormously valuable expertise in fields which are vital to Britain's long-term future. It was a great appointment, and it was a great maiden speech in this House. Of course, to succeed, he has to have the backing of the Treasury. There is no better person than the noble Lord, Lord Livermore, to make sure that he has it.

I also congratulate the noble Lord, Lord Hendy, who is not speaking in this debate but answered Questions very well today. I can think of literally no one better than Peter to sort out the mess that our present

[LORD LIDDLE]

railway system is in and provide us with the first-class transport infrastructure that has so often been promised but never delivered.

The Government are right to stress the awfulness of their inheritance. The self-congratulation of the party opposite about how good things are ignores the fact that we have a very serious long-term productivity problem and that our public finances are in a hell of a mess. We have a very big current deficit, and that is based on the previous Government's projections for public spending, which are unrealistic and unattainable. Many looming challenges have not been accounted for—public sector pay, social care, financial strains on local councils, and the 2.5% defence target—and that is before one mentions the existential questions of demography that face our welfare and health systems. Labour is absolutely right to put growth at the centre of its programme.

There can be no return to sustained growth unless we raise considerably our levels of public and private investment to match those of our main competitors. Yet I am afraid that the plans that Labour inherits from the previous Government see a reduction in public investment from something like 2.5% of GDP to 1.9% over the course of this Parliament. There is something in the argument that we can fill that gap by attracting private sector investment pension funds, which my noble colleague spoke about, and the stability that we offer is obviously a key part of what may deliver a higher level of investment from the private sector. However, we also need a commitment to the national wealth fund and British national energy, because that will facilitate partnership between the public and private sectors to de-risk investment projects. I am all in favour of this, but I will make just a couple of points in conclusion.

The sums may sound big but compared to the scale of the challenges of reconfiguring the national grid, launching a nuclear energy programme, investing in our railway infrastructure, et cetera, they are not that big. The key is whether we can convince the markets that, by borrowing to invest in growth, we can get a bigger public investment to match private investment. Here, I am concerned about the present Treasury rules that the previous Government put in place. As I understand it, they insist that the total cost of public/private finance projects is counted as a public debt liability on the grounds that the risk is ultimately borne by the public sector. I think the potential benefits of that investment adding to economic growth should be taken into account, as of course it is growth that would reduce the ratio of debt to national income. The question of how we generate public investment to match private investment is one of the crucial questions that this Government have to face.

5.03 pm

**Baroness Bonham-Carter of Yarnbury (LD):** My Lords, I join other noble Lords in thanking the Minister, the noble Lord, Lord Vallance, for his opening and maiden speech. I welcome him to his new role.

Throughout Labour's campaign it emphasised economic growth, as has the Minister today. Central to this are the creative industries. I speak on DCMS

matters—I think I am the first person so far to come to this area, but I see many around the House who will do so. I hope that the noble Lord who is summing up will address the points that we bring up, because in a sense we are shoehorned into this debate.

Today, I will concentrate on the economic contributions of arts and culture, and the best way to encourage and harness them. The national wealth fund Bill aims for every £1 of public investment to raise £3 from the private sector. This is something the creative industries have demonstrated they can do—see how creative industry tax credits contribute to GVA growth.

Another example is the BBC. For every £1 of its R&D, it contributes £5 to £9 in value for the economy. It seems that we are entering a happier time for our PSBs. How wonderful it was to hear Lisa Nandy, the new Secretary of State for DCMS, speak out so unequivocally in support of the BBC. Sanity has returned. She recognised in particular the importance of the World Service, as well as what the BBC provides for our children. Sadly, the Media Bill found itself mired in the wash-up. The Reithian principles—to inform, educate and entertain—were saved, but a clear definition of genres, rather than the vague term “appropriate”, did not make it into the Bill, nor did addressing the powers of Ofcom. I hope the Minister is open to revisiting these issues, as well as to funding the World Service from the FCDO budget.

Education was covered last week, and we support everything that was said about the importance of returning arts and culture to the centre of the curriculum, something since pledged by the Education Secretary, Bridget Phillipson. These are more happy tidings, but essential ones. Creative education's decline is now almost at crisis point in England's state schools, according to a report published today by the Campaign for the Arts and Warwick University. We on these Benches believe that Ofsted should give outstanding ratings only to schools that can demonstrate excellence in the provision of creative subjects. I hope the Minister agrees.

We welcome the Skills England Bill, as mentioned by my noble friend Lord Fox, and reform of the apprenticeship levy, but this must work for the creative industries. There is a lack of diversity within the creative workforce. Changes to the levy and to the education system will help to address this, but much more needs to be done. The creative industries are a world of freelancers. The UK's tax and social security framework is not set up to support them effectively. What is needed is a freelance commissioner.

Finally, there is the calamitous consequence of Brexit across the creative sector, with the inability to access the continent, and complicated paperwork—carnets, cabotage and visas—inflicting punishing costs and red tape. Our young people are being cut off from European culture. We must pursue visa waivers, negotiate a return to Erasmus+ and apply to participate fully in Creative Europe. I hope this new Government agree.

The value of arts and culture is not just economic; they are at the heart of what brings us together as families, communities and friends, helping to combat loneliness, alleviate pain and bring solace to those dealing with physical or mental health problems. As I heard Chris Bryant MP, the Minister of State for

DCMS and DSIT, say last week, they allow us to walk in other people's footsteps—an aptly poetic use of words. Please do not do as recent Governments have and treat the DCMS as a Cinderella department. Put culture and the arts, and not just the money-making industries that they create, centre stage, as previous Labour Governments have. Embrace the legacy of Jennie Lee and Chris Smith—the noble Lord, Lord Smith—and harness them. There is a real power to creativity that is not linear, which is what makes it so special: James Dyson went to art school; Rio Ferdinand trained as a ballet dancer.

I end—as a Liberal, I have to—with John Maynard Keynes, creator of the Arts Council and of course a great economist. His vision was reaffirmed last week, almost 80 years on, by the present ACE chair, Nick Serota, who urged the Government to

“remember and reaffirm the value of the arm's-length principle, which, by maintaining the political independence of arts funding, protects artistic freedom”.

5.09 pm

**Lord Vaux of Harrowden (CB):** My Lords, I add my warm welcome to the Minister, both to this House and to his new position, and congratulate him on his excellent maiden speech.

I welcome the new Government's focus on economic growth and stability, as so many others have done, and indeed many of the other steps proposed in the gracious Speech. The debate today covers an enormous range of topics, so I will concentrate on just a couple of areas—one could go on for hours.

I was very excited when I first heard about the proposed national wealth fund. I assumed we would be talking about a sovereign wealth fund similar to those we see in other countries such as Norway. Sadly, this will be a rather less ambitious entity. In effect, it will be just a £7.3 billion extension to the UK Infrastructure Bank's existing catalytic activities. That is a not a bad thing—indeed, it is a good thing—but I had hoped the new Government might dispense with some of the overselling we have seen in the recent past. It is a disappointment.

The wealth fund will apparently generate £3 of private sector capital for every £1 of public money invested—a good aim, but easier said than done. There is a real danger that, if not executed well, public investment can actually have the negative impact of crowding out private investment, simply replacing private capital that would have been available otherwise.

We debated that concern at length during the passage of what became the UK Infrastructure Bank Act—I see the noble Baroness, Lady Noakes, looking at me—and I urge the Minister to go back to those debates and consider very carefully what was said when designing this fund. Exactly the same issues apply, in particular the importance of genuine operational independence—this should not be just a plaything of the Treasury—and of measuring and reporting on the crowding-in performance. I do not mean measuring the amount of investment made—anyone can spend money—but measuring the actual crowding-in impact that is achieved.

The gracious Speech also includes the strengthening of employment rights. Again, this includes some good things: practices such as the egregious fire and rehire

actions carried out so appallingly by P&O need to be stamped out. But we also need to be very careful about the possibility of unintended consequences, as others have mentioned: well-intended changes could end up hurting the very people they are intended to help. I will give two examples.

The first is the equalisation of the minimum wage for younger people. I do not think it was in the gracious Speech, but it has been quite heavily trailed. It has obvious superficial attractions, but that all-important first step on to the employment ladder is already very difficult: 28.3% of 16 and 17 year-olds are currently unemployed. We must encourage employers to take on young people who have no experience. Why would an employer take that risk if they can hire someone with experience for the same cost?

Secondly, I am deeply concerned about removing the two-year period before a claim of unfair dismissal can be made. We should be encouraging employers to take risks in employing people such as those without experience, young people in their first job, people changing careers or older people looking for a job post redundancy. The noble Lord, Lord Timpson, whose appointment I think was inspired, has an admirable track record of employing ex-offenders. We should encourage others to do the same. But this change will make employers, especially smaller businesses, think twice. It may—and probably will—discourage them from taking on people they might see as greater risk, and a probationary period, which the Government talk about, is not the same thing. I am not aware of any evidence of material abuse of the two-year rule. Protections already exist from day one for a wide range of automatically unfair issues. So I urge the Government to listen carefully to businesses, especially smaller employers, before taking such a potentially damaging step.

As we are only allowed to speak on one day, I will briefly raise a matter that might fit better in Wednesday's debate. It is—predictably—fraud and economic crime. It is relevant today because the high levels of fraud and economic crime that we experience in this country are a genuine brake on growth. I was surprised to see nothing in the gracious Speech addressing this. There are plenty of steps that need to be taken, especially the incentivising of tech platforms and telecoms operators to take action to prevent fraud. I do not believe the Government have yet appointed a replacement for the previous Government's fraud champion. Could the Minister tell us whether they intend to do that?

The other thing that stands out as missing from the gracious Speech is the whole question of productivity. We cannot have stable growth without improving our productivity. There is not time to discuss that in detail and I know that others will do so later, but it is something that the Government do need to address.

Overall, I welcome the Government's focus on growth and stability and recognise many good proposals in the gracious Speech, but I urge the Government to tread very carefully to avoid unintended negative consequences and to listen constructively to the comments of businesses, particularly small businesses, before taking some of these steps.



5.14 pm

**Lord Wood of Anfield (Lab):** My Lords, I congratulate my noble friends Lord Vallance and Lord Livermore on their appointments. Like many, I have been a fan of the rigour and communication skills of my noble friend Lord Vallance from afar and look forward to having him as a colleague in the House. I am also delighted to see my noble friend Lord Livermore appointed as the new Financial Secretary, having worked with him for many years at the Treasury, where we were advisers to Gordon Brown. He has wide experience, possesses excellent judgment and, most importantly, knows what it is like to work for a demanding Chancellor.

We all know that the state of the UK economy is among the biggest challenges facing the new Government. Next year, Britain is forecast by the OECD to be the poorest-performing G7 country for growth. Real wages are only just back to their 2008 level. Borrowing continues to come in higher than OBR predictions. Productivity remains very poor in international comparison. Meanwhile, taxes are at their highest since 1948 and our public services are creaking under the strain of years of austerity. I know that I am biased, but it is refreshing to see a Labour Government looking at not just the short-term but the long-term root causes of our economic poor performance, as many noble Lords have said—the myriad of problems on the supply side of the economy that hold back growth, productivity and wages.

I particularly want to applaud three proposals in the gracious Speech. The first is the planning and infrastructure Bill. Measures to reduce costs of compulsory purchase orders, reduce timeframes, streamline processes, modernise planning committees and increase local authority capacity all have the potential to make a big difference if co-ordinated properly. The second is the employment rights proposals. Contrary to other noble Lords, I think that they will help to ensure that the burden of economic adjustment in our country is no longer borne to an unfair degree by the least powerful and most vulnerable. The third is the banking resolution Bill, which will allow the FSCS to recover the funds provided to bail out the failing small bank by charging levies on the banking sector, similar to the current arrangements for funding depositor payouts in insolvency.

I want to mention two things in slightly more detail. First, I welcome the national wealth fund and the determination for a new approach to investment in green industry infrastructure and SME funding. It is good to see that the British Business Bank and UK Infrastructure Bank will be aligned under a new national wealth fund. I have a question for the Minister about it. The national wealth fund taskforce, which was commissioned by the then shadow Chancellor, Rachel Reeves, and reported to her as Chancellor, said that the money in the fund should not be allocated in grants but should be used to target riskier investments. Will that be the approach of the new national wealth fund?

In connection with my noble friend Lord Vaux's point about the UK Infrastructure Bank, the bank did valuable work but it was criticised, including by the Public Accounts Committee, for reinventing the wheel

for funding projects that already draw private capital. It will be interesting to hear what lessons the new national wealth fund will learn from the conservatism of that funding approach.

Secondly, on the pension proposals, many in this House have much more significant knowledge on this than I do, but we all know about the problems in the connection between UK pension funds and investment in the real economy of the UK. The average defined benefit allocation to UK equities has fallen from over 50% in the 1990s to less than 2% in 2022. Schroders data says that there are close to 27,000 defined contribution schemes in the UK—25,500 of which are micro schemes of fewer than 12 members. Therefore, the issue of scale and consolidation clearly is crucial, but I hope that the review and the legislation that comes out of it, which I welcome very strongly, will look at how the regulation of the pension fund industry connects to investment—levels and types—and whether other financial incentives might be appropriate to encourage more investment in UK equities and UK corporate bonds.

Lastly, I will return to a point that my noble friend Lord Liddle raised. It is so refreshing to see a Government putting partnership with the private sector at the heart of their policies. We have seen it in the last three weeks, and we saw it in opposition. Partnership is important not just for the legitimacy of policies, or because the private sector will ultimately be the determining factor in the success of a lot of government policies, but because in partnership we can shape the risk scenario that will be so important for encouraging more long-term investment.

Best wishes to my noble friends Lord Vallance and Lord Livermore. We look forward to what will come down the pipe in the next few years.

5.19 pm

**Lord McLoughlin (Con):** My Lords, I join other Members of your Lordships' House in welcoming the noble Lord, Lord Vallance, to his position and congratulating him on his maiden speech, which opened this debate. I also welcome the noble Lord, Lord Hendy of Richmond Hill, to his post. He brings, without any doubt, an expertise in his subject that is probably equivalent to that of the noble Lord, Lord Vallance.

The noble Lord, Lord Hendy, has managed to travel from being first appointed by Ken Livingstone to being reappointed by Boris Johnson when he was Mayor of London, to being approved as chairman of Network Rail by David Cameron when I was Secretary of State for Transport and then being made Rail Minister by the present Prime Minister. He certainly knows how to travel the highways of political responsibility, and there is not much pressure on him to show that he has the answers to these problems.

I welcome certain parts of the King's Speech. The preferences played, as far as transport is concerned, are vital. I meant to refer at the beginning to my interest as chairman of Transport for the North. The noble Lord, Lord Heseltine, talked about the way in which the metro mayors will become more important in shaping transport in their areas; that will be very important for the Government to deliver growth. I regret



the decision that was made by the last Government on HS2—I think it was the wrong decision. We cannot have big national infrastructure projects in the planning for 15 years that are changed overnight, as HS2 was. A lot of thought went into that, and HS2 was not about speed; it was about capacity on the network.

That will be one of the big challenges. I noticed what the notes that come with the King's Speech say about the high-speed rail Bill for Crewe and Nantwich:

“We are not reversing the decision to cancel the second Phase of HS2”.

That is a bit different to what was said at the time that decision was made from the now Government Benches, then the Opposition Benches. One only has to look at the impact that HS2 is already having around Birmingham to see the benefits it can bring as far as long-term development and growth are concerned. We need to see a rebalancing of the country from outside London. It is particularly important that we talk about Manchester, Leeds and Newcastle, and that we talk about interconnectivity between our great cities—it is not a matter of London or not. When I was Transport Secretary, I would go down to the south-west and people would ask, “What are you doing for the railways down here?”. I said that we were rebuilding Reading station, and they would look at me as if I had gone completely mad. It was a huge investment, but it was essential to improve the capacity around the throat into Paddington station, which was one of the big rail bottlenecks.

I wish the Government well in their transport policies. Privatisation of the railways—“franchisation” as it now is—brought huge benefits. The railways under government ownership were starved of finances because there are other priorities. There always will be other priorities: health, defence and education will take a stronger role than transport will. Before privatisation there were 700 million journeys a year on the railways; there were 1.8 billion the year before the pandemic—that was driven by partnership. I urge the Government to think very carefully about this. We just heard about partnership with the private sector. Franchising has basically failed over the last few years because of the pandemic, but please think of what resulted from getting that investment. Places such as St Pancras station, where you would not have wanted to spend five minutes, are now destinations in their own right. I urge the Government to think carefully and tread cautiously on this.

I fully support what they are saying and wanting to do on buses; a lot more work needs to be done. As with anything in transport, we can all set out great plans, but nobody knows greater than the noble Lord, Lord Hendy, about the difficulty of seeing such plans introduced. The trans-Pennine upgrade currently taking place will take 10 years. I wish the noble Lord and the Government luck with this because, to get growth, they have to get transport right.

5.24 pm

**Lord Palmer of Childs Hill (LD):** My Lords, I will concentrate on aspects of work and pensions that are in the gracious Speech and those that are sadly missing from it.

I hope that the Minister, not necessarily a Minister from work and pensions, gives some reassurance on plans to end the two-child benefit cap. Figures show that 100,000 more children were affected over the past year. I think it immoral, and the DWP has just published figures showing quite how damaging the impact is. I was slightly reassured this morning when I received a copy of a letter from Ministers in the Department for Work and Pensions, headed “child poverty strategy plan”—but it makes no mention whatever of the two-child benefit cap.

The last Government limited universal credit or child tax credit to a family's first two children. Third and subsequent children born after April 2017 are not eligible. There are now 1.6 million disadvantaged children caught by this ill-advised cap. I suppose the aim was to reduce large families claiming benefit, but can the Government say whether this stopped us having larger families? I believe the intention was to deter poor families from having more children than they could afford. Is there any evidence that this cap succeeded?

It has certainly increased child poverty. Removal of the cap is the most effective way to get children out of poverty. About half the affected families have three children, while a fifth have five or more children. I hope the Government scrap the cap, which will help reduce child poverty at a stroke. The real answer is to remove the cap completely, because it is the children who suffer. On a technical point, will the Government develop a digital equivalent of the NCC1 paper form from the DWP?

Can the Minister comment on the plight of WASPI women? We call for the ombudsman's recommendations to be implemented before the Government's problem disappears through more deaths of the women affected. It is unfair for the Government to say that these women were told it was going to happen. We are told that they were thus forewarned, but many have no recollection of being told. How were they told that they were not going to get their pension when they thought they would? I am reminded of *The Hitchhiker's Guide to the Galaxy*, when Arthur found the notice that he was meant to see displayed in the bottom of a locked filing cabinet in a disused lavatory. These women did not know that they were not going to receive this pension. There is no purpose in having an ombudsman if the Government pick and choose which decisions they abide by.

The King's Speech includes a Bill on pension schemes. I look forward to examining it in due course. I hope that, in clear terms, it provides: a firm commitment to press ahead with the pensions dashboard described by the noble Baroness, Lady Drake, and not let it be subject to further delays; a firm commitment to implement the 2017 reforms to automatic enrolment, applying the 8% mandatory contribution from the first pound and enrolling from age 18 rather than 22, and to provide a timetable, given that the last Government said they would do so by the mid-2020s; and a timetable to increase mandatory contributions from 8% to a more realistic level such as 12%. Automatic enrolment is vital to millions of people on modest incomes and, without a big step forward, they will either retire poor or have to work beyond their ever-increasing pension age.

[LORD PALMER OF CHILDS HILL]

The Minister will have seen the latest research from the Institute for Fiscal Studies, which shows that the nation's poorest pensioners have fallen behind other pensioners in the last decade. Although pension credit has been fully uprated, thousands of the poorest pensioners fail to claim what they are entitled to. Can the Minister tell us what further steps the Government will be taking to tackle non-take-up of pension credit, and in particular whether the department is making full use of local authority data on housing benefit claims by pensioners that could be used to support a pension credit claim. The data is already there.

The Labour manifesto did not mention the word "carer"—the noble Lord, Lord Forsyth, mentioned this—and neither did the King's Speech. The Government need to remember that caring is not just about the social care sector but about the thousands of acts of unpaid care that happen every day. Finally, do the Government recognise their responsibilities to their people in a caring and civilised society?

5.30 pm

**Lord McNicol of West Kilbride (Lab):** My Lords, I will focus the short time I have on one of the starkest areas of contrast between the priorities of this new Labour Government as set out in the gracious Speech and those of the previous 14 years.

Contained within the first few lines of the King's Speech briefing notes were the words:

"we will create a new industrial strategy".

This industrial strategy has the opportunity to help our country to grow, flourish and deliver. On 4 July, the country faced a crossroads. The British people chose economic stability, with a plan for growth and a Government that look to the future. Over the course of the King's Speech a series of ambitious plans to improve every aspect of the country were laid out—from energy to education and skills, from transport to the NHS. However, all these plans rest entirely on economic reform and growth. Breaking down the barriers to opportunity does not rest on education alone. The causes of crime cannot be tackled without economic recovery that creates jobs and opportunities. Put simply, our country's future rests on economic stability and security, and a long-term industrial strategy will be the backbone that runs through that stability and security.

Greg Clark's industrial strategy of 2017 was inherently decent; it was his Government and the then Prime Minister's failure to deliver on that strategy that truly let the country down. We now have an opportunity to reverse that: to deliver an industrial strategy that not only stabilises and grows our economy but directly improves the lives of working people. The damaging churn of instability that came with the last Government's short-term economic decision-making allowed our economy to enter a downward spiral of insecurity, as was ably outlined by my noble friend Lord Wood of Anfield. Yes, there were headwinds, but the Government did little to subvert them, and in a number of cases made them worse.

With a long-term industrial strategy underpinned by a council of experts, growth can begin to support and develop Britain's economy. Our excellent university

and research institutions, often let down by underfunding, will now have the opportunity to push our country forward. Our professional services, often long-suffering from a stop-start, chop-change approach, will now have the stability to underpin their planning. Our manufacturing sector can at last grow beyond the short-term economic failures that often let it down. Our creative industries, as was touched on earlier, can thrive—driving innovation and investment across our country.

We must be proactive and invest highly in our national infrastructure. That was clear from the King's Speech. Labour will merge the NIC and the IPA to create NISTA—the national infrastructure and service transformation authority—a powerful body to promote a more co-ordinated infrastructure decision-making system. Labour will kick-start this large-scale vision and solidify our maximum potential with these institutions.

After austerity, the UK's productivity flatlined at little more than 100 GDP per hour—a rate that has hardly increased in the last 14 years, as my noble friend Lord Vallance of Balham noted in his maiden speech when opening the debate. If productivity had increased at the same rate as under the previous Labour Government, it would be 25% higher. Now that change has finally come, we have an opportunity to build a better and fairer Britain that works for all citizens, with Labour working in partnership with business and trade unions. Was it not refreshing to hear in my noble friend's opening speech the talk about potential, ambition and hope, in stark contrast to the mean-spirited speech of the noble Lord, Lord Callanan, from the Opposition Benches? It appears he has learned little from the election or the electorate.

5.35 pm

**Baroness Noakes (Con):** My Lords, in 2010 the outgoing Chief Secretary to the Treasury left a note for his successor saying there was no more money. Despite the massive challenges of the pandemic and the energy shock, we left office this month with a strong pound, low unemployment, on-target inflation and a growing economy. The Government now seem desperate to craft a disaster inheritance narrative, but it will not fool us and I hope that it will not fool the British people.

I want to focus on just two aspects of the gracious Speech: the changes to the Office for Budget Responsibility and the proposed national wealth fund, which will be based on the existing UK Infrastructure Bank and the British Business Bank. These bodies are part of a pattern of state bodies with considerable powers and considerable operational independence but weak accountability. The gracious Speech shows that the Government are planning many more public bodies. We can disagree on whether a large state is a good or a bad thing, but we ought to agree that effective parliamentary accountability is a good thing and an essential part of the total equation. I hope that the Government will commit to that as they bring forward their legislation.

The Government's OBR Bill will give it more power to issue forecasts. At one level, this is just a bit of political pantomime designed to squeeze every last

drop out of the fiscal drama of the Truss Administration. As ever, truth is the casualty in politics. The Bank of England's culpability, not least in its negligent handling of the risks embedded in LDI strategies, has been forgotten because it does not fit the political narrative.

More substantively, the OBR is not particularly good at forecasting, as my noble friend Lord Forsyth pointed out. Its last appraisal of its own forecasting record was that it consistently overestimated economic growth and underestimated public debt. It has been no better at inflation forecasting than the Bank of England. The Government would have been wise to have sorted out the OBR's core functions before granting additional powers.

The Government, with their worthy commitment to growth, will also discover that the OBR's static, rather than dynamic, approach to modelling can be a constraint. The Chancellor's pro-growth policies may not score fully in the OBR's modelling, which will in turn constrain what her fiscal rules allow her to do. The Chancellor will then discover that the OBR calls the shots and, like all these independent public bodies, she cannot even get rid of the people until their terms of office expire.

My other topic is the national wealth fund, on which we have very little hard detail. The one thing that is clear is that it is not a wealth fund as commonly understood. It is miniscule by global standards, but more importantly it is not a focus for the investment of surplus national resources to maximise long-term financial returns.

Leaving aside the fact that we have no surplus financial resources at the moment, this fund will not be a long-term wealth maximiser if it is built on the foundations of the UK Infrastructure Bank and the British Business Bank, which incidentally are not banks as commonly understood. Those organisations are basically a home for the risks that the private sector does not want to take. The chorus of approval from the financial services industry for the national wealth fund was unsurprising; they could see a world of lower-risk investment and lending opening up. There is nothing wrong with taking risks if they are well managed, but high risks should be matched with high returns, and the financial objectives of the existing so-called banks are a long way from that. Indeed, both of them made losses in their last published accounts.

I will have a lot of questions on the national wealth fund when we eventually see the legislation, but today I ask the Minister, who I welcome to his new role at the Treasury, just one, building on a point made by the noble Lord, Lord Vaux. Will the activities of the national wealth fund be subject to the additionality principle? If not, how will the Government ensure that they crowd in private investment rather than crowding it out?

5.40 pm

**Lord Best (CB):** My Lords, the King's Speech aligns the Government's strategy for growth with reform of the planning system for housing and infrastructure. Acute shortages of accommodation, and consequent inflated prices and rents, not only present multiple health, social care and welfare burdens for the state,

but hold back economic growth. As Professor Duncan MacLennan's seminal analysis concluded last year,

"the housing market has a big impact on national productivity".

This is not just a London problem. The Minister's excellent maiden speech mentioned the cities of Oxford and Cambridge, for example. These may be attractive locations for international investors, but without anywhere for a workforce to live the investment has to go elsewhere. Further afield in Devon, where I declare my interest as chair of the Devon Housing Commission, public and private employers alike express exasperation that recruitment is impossible and Devon's next generation are leaving the county, defeated by the lack of affordability and availability of a decent home.

Achieving housebuilding targets—1.5 million homes in five years—as well as funding important regeneration will be fiendishly difficult. As the Government prepare their planning and infrastructure Bill, perhaps I can offer some thoughts to the Chancellor for relatively cost-free ingredients to achieve the changes that will lead to stronger local economies.

First, the essential reform of planning must fit within a wider national housing and infrastructure strategy that provides the long-term vision and a road map for the way ahead. What about a statutory housing and infrastructure committee reporting to Parliament, modelled on the Climate Change Committee, which could formulate this strategy and monitor progress year by year?

Secondly, we must end our fated dependency on a handful of volume housebuilders. Instead, the Government should back social housing providers, which need some longer-term certainty over grants and rents to achieve their crucial role, and back the return of SME builders, which used to provide 40% of all new homes but now barely manage 9%.

Thirdly, the Government's promise of 300 more planning staff is helpful, but we need to go further to restock the hugely depleted planning departments. The Government need to allow local authorities to recover, through developers' fees, the full cost of an effective, speedy local planning service.

Fourthly, planners must be empowered to insist upon the kind of housing needed locally, not least the level of affordable homes, where so often promises by developers have been broken. Housebuilders must realise that the price they pay for land has to reflect their non-negotiable obligations.

Fifthly, to achieve quality of new development as well as quantity, the Government should use building regulations, not just planning advice, to require higher standards of accessibility and sustainability.

Sixthly, a big welcome for the new development corporations, with simplified compulsory purchase powers to take on not just

"a new generation of new towns",

and "urban extensions", but major strategic developments. These bodies can acquire the land, capture its uplift in value and implement a brilliant master plan.

Finally, at present the construction industry does not have the skills to tackle at scale either the new-build or the retrofit programmes that we need. Let us see



[LORD BEST]

the new Skills England agency overhauling the existing unfit training levy scheme for the construction industry.

With these relatively inexpensive reforms, I believe that planning, housing and infrastructure could indeed be the key to igniting economic growth and creating enhanced prosperity and productivity. I wish the Chancellor, as well as the new Ministers, every success in this endeavour.

5.45 pm

**Lord Petitgas (Con) (Maiden Speech):** My Lords, let me start by congratulating my fellow maiden speaker, the noble Lord, Lord Vallance of Balham, on an excellent maiden speech, which obviously sets up a hard act to follow. Already, as a commoner from Brittany, I must confess to a twinge of imposter syndrome as I stand here today. According to the House Library, which I completely trust, there is no record of a Frenchman in the peerage since the 13th century. For me, this truly is a case of reality exceeding fiction.

I am very grateful to my noble friends Lord Hill of Oareford, who unfortunately is absent, and Lord Johnson of Lainston for acting as my supporters back in March when I was introduced to your Lordships' House. I have forgiven them—just—for lingering perhaps a little too long in front of Maclise's magnificent canvases in the Royal Gallery. When de Gaulle came on a state visit in 1960, they were covered up to spare his blushes, but I got both barrels. I am also grateful for the outstanding work of the Library staff, who are every bit as efficient as the research unit of a global investment bank but with much better books, and to the doorkeepers and Black Rod, who have kept me on the straight and narrow since my introduction.

It was Bagehot who distinguished in Government the efficient from the dignified. I posit that this House unites both qualities. I believe that many countries would or should give their right arm for such an institution. The quality of debates today is astonishing, and of course we provide the long perspective; Edmund Burke's arc of time is my personal inspiration, linking "the dead, the living and the unborn".

I was born in Nantes from Breton and Norman stock. My claim to being a bright student was skipping an academic year on account of being too rowdy and tall for my age. I was the first to go into business in a family of academics and fishermen. After a brief stint in the French Foreign Office, I joined SG Warburg in London, then spent 30 years at Morgan Stanley and ran global investment banking. From there, I went on to serve the former Prime Minister Mr Sunak as his chief business adviser. It is from this perspective that I will share three observations about the UK economy, before I get on to the growth dilemma.

First, let us stop talking the UK down. Our economic outlook stands out in the G7, bar the US. Growth has been coming back. I believe history will show that Mr Sunak and his Chancellor were starting to get the country back on a more than even keel. Secondly, the special relationship with the US is a massive asset as we move forward with the AI revolution. To quote Musk, outside the west coast the only other place to

develop AI is the UK. We count four out of the top 10 universities. We totally outmatch Europe on technology and IP. Thirdly, I will concede—and I think it is true—that a clear political mandate typically should unlock fresh investment and economic momentum.

Let us be clear, though, that, as we have heard today, not everything is rosy. The number one issue is lacklustre growth and low productivity. We are not alone in the West—bar the US again. I therefore support this Government's focus on growth, even though we will debate and are debating the best way to get there. The proposed top-down drive on housebuilding, industrial strategy and net-zero infrastructure may stir up the economy, but we should not forget that durable growth ultimately rests on a bottom-up liberal economic philosophy encouraging risk-taking, innovation and wealth creation.

When thinking about growth, I find it useful to go back to basics and the canonical three-factor equation of "investment x innovation x skills". On investment, we are not short of capital, either foreign or domestic. In fact, my noble friend Lord Johnson of Lainston was formerly Minister for Investment, and last year the UK had its highest-ever FDI. The dilemma, as has been said today, is that neither UK plc nor our pensions are deployed enough in our economy. Let us keep up the reform momentum to unlock better returns for savers and deploy capital for growth.

On innovation, the second factor, we are not short of IP in healthcare or AI that gives us real edge in capturing the productivity upside, but we need to be strategic around government procurement, capital allocation for pensions and regulation. As for skills, perhaps noble Lords will forgive me if I do not go into too much technical detail and become a bit French and philosophical. In my view, happiness derives from an individual's sense of autonomy and self-worth or dignity. The French economist Thomas Piketty is right, despite being Marxist, about capital taking the elevator while labour goes up the stairs. Inequality and imbalances in society need redressing. We certainly need more economic efficiency, but we also need social justice. This House is a place of balance, and it is a great honour as the first French Peer in 800 years to have the chance to serve here in the cause of my adopted home.

5.51 pm

**Lord Bridges of Headley (Con):** My Lords, it gives me great pleasure to welcome the noble Lord, Lord Vallance, who I am delighted to see on the Benches opposite—I welcome talent to this House—and my good noble friend Lord Petitgas. My noble friend and I have two things in common: we both worked in a profession that is only marginally more trusted than politics—that is, banking—and we both worked in No. 10 before elections. In my case it was in 1997; in his it was this year. In both cases not everything went according to plan. I remember former Prime Minister John Major being sent early in that election campaign to visit a Formula 1 factory, where he was placed in a car with no wheels on it. My noble friend will have singled in his mind that visit to the Titanic shipyard. He failed to mention that, as well as having a stellar

career in banking, he is also a member of the Légion d'honneur. Now a Peer as well, he is the living embodiment of the entente cordiale. Cut him down the middle and he is absolutely red, white and blue. I am sure I am not alone in welcoming him to this House and looking forward to hearing many more excellent interventions like the one he has just made.

I remind the House of my interests as a shareholder of and an adviser to Banco Santander. I pay tribute to and congratulate the Labour Party on its win and wish it well for the future. Like everyone, I want to see economic growth. As my noble friend and other noble Lords have said, the question is how we get it.

Before I turn to the Government's plan, let us look at the inheritance, which a number of Peers have spoken about. As my noble friends Lady Noakes and Lord Petitgas said, we must not talk things down. Inflation is at 2%, unemployment is at 4% and the economy is outstripping other G7 countries so far this year. That said, we also need to be very honest. Productivity growth is lethargic—others have mentioned this—economic inactivity has soared, so too has immigration, and taxes and debt are very high.

Looking ahead, according to the IMF today, GDP growth would need to be around 2.6% every fiscal year from 2025-26 for the Government to stabilise public debt by 2028-29 without extra tax rises or spending cuts. Obviously, one reason why taxes and debt have risen is thanks to the double whammy of Covid and then Ukraine, but there are other reasons that we need to be honest about, and I will highlight three.

First, for years we have seen the slow but steady spread of a mindset that the state is the solution to all our problems. This was turbocharged by quantitative easing, which my noble friend Lord Forsyth mentioned, giving the impression not just that Governments can act in the face of adversity but that they should.

Secondly, and related, we have seen a growth in the regulatory state. Good, simple, robust regulation is the bedrock of a competitive economy, as others have mentioned, but at the moment that balance is going wrong. We are sleepwalking into a regulated world where businesses are deterred from taking reasonable risks, and without risk there is no reward, little progress and low growth.

Thirdly, there is the failure to improve productivity, which others have mentioned. I want to cite one reason why this matters, which is how productivity is related to debt sustainability. Professor David Miles, a member of the OBR's Budget Responsibility Committee, told the Economic Affairs Committee earlier this year that

"if productivity growth is barely positive over the next five years debt would be around £200 billion higher, some 7% of GDP, than the OBR central forecast of November 2023".

This is the context of the gracious Speech—a Speech that contains rays of hope, such as reform of planning, but in my mind these are overshadowed by the growing dark clouds of the fiscal challenges we face. They are debt, defence and the need to rearm, demographics with an ageing population, and decarbonisation and the green transition. These challenges—the Ds—have been sitting in plain sight for several years. We have known for ages that difficult choices lie ahead and—I

hate to say it—just like the previous Government, Labour has been silent about what it will do. Will it increase taxes or cut spending? If taxes on working people are not to rise and wealth creation is really going to be rewarded, what is going to give? To govern is to choose—we know this—so do we prioritise rearming our nation or decarbonising it? Above all, do we encourage people to take more responsibility for their lives when faced with these challenges or do we look to the state to do more? It is the age-old choice: trust the people or trust the state?

The gracious Speech, with its commitments for more regulation and intervention, gave me just a glimpse and a whiff of the Government's instinct. It is to trust the state, not the people. I do not think we should exaggerate this. It is not as if we are going to be on the road to serfdom, but my fear is that the growth we are likely to see will be growth in spending and tax, regulation and the state. If that is right, I cannot see how the Government's approach will achieve their laudable aim of the UK having the highest sustained economic growth in the G7. So, while I wish this Labour Government well, I have a nagging concern that their plan will not put a brake on the spread of today's big state malaise, which I see as holding Britain back. My fear is that the reverse is the case. To coin a phrase that the Government used about their gracious Speech, the brakes are off.

5.57 pm

**Lord Woodley (Lab):** My Lords, it was a tremendous pleasure to listen to the maiden speeches of the noble Lords, Lord Vallance and Lord Petitgas. I learned a lot from their lifetime experiences, which are very interesting. I am delighted to follow the noble Lord, Lord Bridges, in making my contribution.

Like many of us here, I am truly excited about the agenda for positive change laid out in our manifesto and in the King's Speech, but it will not come as a surprise to your Lordships to hear that, of all the desperately needed legislation in this Session, I am most passionate about the employment rights Bill. I have been an active trade unionist for the whole of my working life, and it is a subject very close to my heart. There is nothing more precious to a trade unionist than employment rights. Employment rights are central to everything we do. They are our first and last lines of defence, and they are our bread and butter. They are the very tools of our trade. They are the beating heart of my party, the Labour Party—the clue is in its name—and should be a guiding light for this Labour Government in their mission to eradicate the twin evils of exploitation and destitution, which, sadly and shamefully, have only grown since our last Labour Prime Minister left office.

The employment rights Bill will bring to life our new deal for working people, a transformative programme to tackle the tremendous imbalance of power that currently exists in the workplace: day one rights to sick pay, parental leave and protection from unfair dismissal; an end to the exploitation and cruel insecurity that zero-hours contracts bring; the return of sectoral collective bargaining—or fair pay agreements, as they are better known—in the care sector, at least to start with, which

[LORD WOODLEY]

are so badly needed; the repeal of the hated Tory anti-trade union legislation, from allowing the use of strike-breaking agency workers to minimum service levels and an awful lot more; and electronic balloting, enhancing union access to workplaces and cracking down on blacklisting. Each of these proposals would itself be a tremendous blow against workplace injustices; together, they are major upgrades in the fight against exploitation—and that is without even mentioning what I consider to be the jewel in the crown: a ban on the disgraceful, abusive practice of fire and rehire.

I wish to thank noble Lords again for their kind support during the last Session for my Private Member's Bill, which sought to do exactly this. I was honoured—and I do mean honoured—to take my Bill through this House unopposed, with cross-party support, and from a shared understanding that we all benefit from strong protections against exploitation at work. Let us be clear: good employers—I have met many—have nothing to fear from this new deal. Quite the opposite is true; they have much to gain, because they will not need to worry about being undercut by unscrupulous employers slashing costs by exploiting their staff.

Well-paid and protected workers make good consumers, which can only be good and help the economy grow. However, with respect, it is naive to think that there will not be any pushback from big businesses. Bad bosses have already unleashed their lobbyists on a mission to water down these modest constraints on their power. I urge all noble Lords—not just those in my party but everyone who wants to see Britain become the best place in the world to work, as the last Government promised but predictably did not deliver—to stand up for these important measures against the inevitable attacks that they will face. Employment rights are human rights. We should all be proud to be part of a Parliament that will deliver such powerful, positive change for working people.

6.02 pm

**Lord Inglewood (Non-Affl):** My Lords, I begin like other Members of your Lordships' House by congratulating the new Minister on his elegant maiden speech and welcoming the new Front Bench. I declare my interests as chair of the Cumbria Local Enterprise Partnership, which has just divested itself of its formal responsibilities to the local authorities and is now running itself down, and as a member of the Borderlands Economic Forum.

I would like to raise two points about aspects of the King's Speech. First, regarding ownership of the railways, I am a subscriber to Alexander Pope's proposition—not that he knew anything about railways—that:

"For forms of government let fools contest; whatever is best administered is best".

I am also conscious of what I was told by the late Lord Kingsland, when electioneering with him: one of the golden rules of electioneering is that nobody ever lost votes knocking British Rail. My experience, like that of many noble Lords, is that we have all spent too much time going to the north of Britain on the railways. The test of whether it works will be whether we spend more or less time on the railways. It is a case of less is

more. The House authorities ought to take an interest in this as, if it works, I suspect they will receive substantially less in rebates.

Secondly, I am not a fan of the Brexit settlement. On the evidence that I have seen in the north of England, it seems that it has damaged a lot of small and medium-sized businesses through the loss of markets; it is not only tariff barriers but non-tariff restrictions. I wish the Government well in trying to sort some of these things out, but I do not think it will be easy.

The functions of local enterprise partnerships have been transferred under the direction of local authorities. The key approach behind the LEPs, which is also the key approach of the new Government to economic development, is partnership. Sometimes it goes well and at other times less well, but it is important that, in looking at these things, we recognise that there is a clash between two cultures—that of local government and that of business—which are just as distinct as CP Snow's two cultures of humanities and science. Look at the trailblazers—the big metropolitan areas where this has taken place—and you find that they have been working on this for many years, and have had at their disposal large resources from both the public and the private sectors. This contrasts importantly with what I might call "out of London", which has fewer resources and, since the war probably, has lost what in Germany would be known as the "Mittelstand", and with it much civic leadership outside the formal framework of politics and local government.

There are real potential problems of tension between the local authority culture and the business culture. It is important to recognise that business involvement is voluntary and costs businesses money, time and serious commitment. We must find ways of developing and harnessing arrangements that combine the business way of conducting its own affairs and delivering its own services and products with the local authority and public-sector codes of ethics, behaviour and appropriate accountability. If that is not achieved, it will not work. I recall a meeting of the NP11—the northern LEP chairs—where a very senior businessman concluded his remarks by saying, "And then the politicians will do what they do best: talk". He then voted with his feet and left the organisation.

These things matter. In the case of Cumbria—although this is by no means confined to the county I know best—there are bad pockets of deprivation. The most important single thing we can do for such communities is to find ways of creating real, sustainable, properly paid work for those in them. That is the highest form of welfare.

6.06 pm

**Baroness O'Grady of Upper Holloway (Lab):** My Lords, I declare my interest as a former leader of the TUC. I congratulate the noble Lord, Lord Petiglas, on his maiden speech, and my noble friend Lord Vallance on an excellent speech setting out the Government's programme.

I want to remind the House what is at stake. Around the world, one of the biggest threats to democracy is the rise of populism, or, more precisely, hard-right nationalism, which history teaches us can be a gateway



drug to something even worse. While debate on populism is often dominated by immigration policy, tackling the economic conditions that give rise to it warrants urgent attention. The common patterns are clear and have been documented by researchers at the London School of Economics and others: high inequality, austerity and insecurity is the toxic combination that fuels the rise of a toxic politics.

According to a recent Joseph Rowntree Foundation report, wealth inequality is rocketing and outstrips income inequality. In the UK, the top 10% now owns a staggering 57% of total wealth. The impact of austerity on the public realm has been devastating. Public services matter, not just to keep the workforce healthy, educated and on the move, but for everyone's security through life's ups and downs, for our sense of a shared identity, and for our capacity to build safe and welcoming communities.

Another key indicator of countries at risk of populism is sustained pressure on living standards and the deregulation of labour markets. In the UK, that has led to mass insecurity at work. People look for scapegoats when they feel aggrieved and humiliated, and too many have lost faith in the ability of the political class to make their lives better. Labour has set out an economic programme to get the country back on its feet that should help to stem that tide. My hope is that, just as after the Second World War, we can build a broad consensus for the change that Labour is committed to delivering, with investment and strategic public ownership through Great British Energy, British Rail and a national wealth fund that will smooth the tough but necessary transition to a greener economy.

An active industrial strategy, boosting skills, housing and infrastructure, is vital to bring good jobs and new hope to the parts of the country that need it most. Whether growth will come fast enough to meet the scale of the challenge is a fair question. My own view is that we should choose to raise additional resources by shifting the burden of taxation from work to wealth. Tax experts calculate that taxing capital gains at the same rate as income would net the Treasury £12 billion a year, while restricting tax relief on pensions to the basic rate of income tax would raise a further £14.5 billion.

Labour market reform is necessary too. The P&O scandal and recent union-busting at Amazon are emblematic of working lives that leave too many people feeling frustrated, angry and powerless. Given the chance, this is the emotion that hard-right nationalist parties will seek to exploit. TUC-commissioned polls show that there is strong public support for the measures in Labour's new deal, including from a majority of Conservative and Reform party voters. All the evidence shows that fair treatment, a stronger workers' voice and good industrial relations can boost productivity and build a stronger society.

I am proud that this Labour Government understand, head and heart, the importance of the new deal to make work pay and restore dignity at work, and how in turn that can help to keep hard-right nationalism at bay. I hope that noble Lords across the House will recognise just what is at stake—not just fair growth and common decency but the democratic values that we hold dear.

6.12 pm

**Lord Frost (Con):** My Lords, I congratulate the Labour Party on its election victory, which I am afraid was well deserved. I welcome Ministers to the Front Bench, particularly the noble Lord, Lord Vallance; we former officials must stick together.

I listened carefully to the noble Lord's presentation of government policy as set out in the gracious Speech. I heard that the mission was growth, but I heard little that was likely to deliver it. The planning proposals are obviously the main exception to that, and I wish the Government every success with them. I hope they use the reforms to build useful assets such as houses, roads and power stations, not white elephants like wind farms and solar arrays.

What I heard elsewhere was a plan to continue transforming Britain into a big-government, low-growth, low-energy, corporatist state—an alphabet soup of new bodies, plans and more Government-know-best policies. Just one example is the nice-sounding but, I am afraid, damaging reregulation of the employment market that the noble Lord, Lord Woodley, and others have spoken about: more mandatory pay-gap reporting, the rollback of trade union laws, the boost to the minimum wage, the end to zero-hours contracts, and so on. The Government claim in their briefing to us that the aim of all this is to ensure that

"industrial relations are based around good faith, negotiation and bargaining".

We have seen what that means from the Chancellor's remarks over the weekend: it means paying up for fear of the unions. I am afraid that if the Government are paying Danegeld already, two weeks into their term—that is, during the honeymoon—then they are going to have a tormented time in the next few years. Does the Minister—the noble Lord, Lord Livermore, who will wind up—have any assessment of the economic impact of these labour market measures? Can he explain why more regulation will boost productivity and growth?

Beyond that, we have a panoply of new corporate bodies: the Industrial Strategy Council, Skills England, and the new OBR, with its stronger legal status and even stronger powers to put its dead hand on to any attempt to create economic dynamism. We have more devolution, more incentives to local leaders to demand more money from the centre and more talking shops, such as the council of the nations and regions, with their local growth plans.

Above all, we have the so-called national wealth fund. I do not know whether the Government have noticed but we do not have quite as much wealth as we used to, thanks to the disastrous lockdown policy that others have referred to, and our debt is as high as our GDP nowadays. Yes, we have a plan: to borrow even more money and spend it on dubious projects that no one else will fund. We can all play that game: I can remortgage my own house, spend the money on a holiday and claim I have created my own sovereign wealth fund. It may make you feel good, but you would be crazy to think you had created any actual value as a result. So it will prove with this fund.

The product safety Bill deserves a lot more scrutiny than it has had so far, and I hope will get it. The government briefing tells us:

[LORD FROST]

"This Bill will preserve the UK's status as a global leader in product regulation".

That sounds good, but read further down and you discover that it is designed to give the Government the power to follow EU regulations and keep Great Britain aligned with Northern Ireland and the EU as regards product regulation, which I have to say sounds a bit less like a global leader.

In passing, the briefing refers to a seemingly new body called "the Regulator", with a capital R, whose nature and capacity is to be future-proofed by the Bill and which will

"provide national leadership on product safety".

Could the Minister explain what that body is, how it differs from existing regulators and, more broadly, why he thinks that following the rules of the EU without any say in them is likely to help the economy of this country?

All these measures take us further from the only thing that actually creates growth—that is, free people making their own judgments and risking their own money in free markets. I am afraid that in due course the Government will discover this. Until we get back to that direction and until we start rolling back the corporatist collective state, we will continue to have a huge productivity and growth problem, and we will continue to disappoint the expectations of our people.

6.17 pm

**Lord Eatwell (Lab):** My Lords, as we learned from the gracious Speech, Labour's plan for growth will be buttressed by the new Budget Responsibility Bill, ensuring that all significant tax and spending changes are subject to an independent assessment by the Office for Budget Responsibility. This poses an important question. The OBR was a child of austerity, a central actor in the disastrous austerity programme. How can an institution designed to validate austerity be part of a programme for growth?

In the uncertain world of economic policy-making the OBR is an important source of challenge to Treasury presumption, but far more important will be the design of the OBR's own economic modelling and the consequent assessment criteria that it deploys. At its birth, this child of austerity focused on one number, the annual fiscal deficit. Whether £1 million of increased spending was designed to cut top-rate taxes or to fund investment in new infrastructure was irrelevant. That approach can be no part of a growth programme. It is bad economics because not all government spending is the same. Government spending may redistribute income, cutting taxes or raising pensions; it can be an investment in the nation's productive capacity—spending on skills, for example—or it can be used to buy productive assets, acquiring equity in new technologies and industries.

The Chancellor stressed the economic importance of these distinctions in her Mais Lecture when she said that

"our fiscal rules differ from the government's. Their borrowing rule, which targets the overall deficit rather than the current deficit, creates a clear incentive to cut investment ... I reject that approach".

She also said:

"I will also ask the OBR to report on the long-term impact of capital spending decisions ... I will report on wider measures of public sector assets and liabilities ... showing how the health of the public balance sheet is bolstered by good investment decisions".

What would be the practical impact of this new approach on the OBR's policing of the fiscal lock? Let us consider the practical example of Sure Start. In 2011, it was costing something over £2.5 billion in today's money. Under the then OBR assessment, this was a cost that had to be cut. Yet an IFS study published just in April demonstrated that the benefits of Sure Start significantly exceeded the costs. The result of demolishing it has been a higher deficit and higher debt. When he sums up, will the Minister explain how the new rules of the fiscal lock, as set out in the Mais Lecture, would have been applied in the case of Sure Start?

A further blatant failing in recent OBR reports was the acceptance of the Treasury's own numbers on future public spending, even if they were, as the chair of the OBR commented, "not even fiction". These fantasy figures were the source of the conspiracy of silence—much referred to but little debated—during the general election. OBR assessments and the fiscal rules cannot be a meaningful source of stability if they are based on such fictions. Will the Minister tell the House what steps the Government are taking to ensure that the spending plans implicit in any OBR assessment are themselves evaluated against objective criteria?

The austerity-era fiscal rules that the OBR was obliged to apply constrained investment and stunted growth. The new fiscal rules, heralded in the Mais Lecture, prioritise growth and seek to minimise debt by maximising GDP. The OBR, austerity's child but transformed by our Labour Chancellor into a vigorous and dynamic adult, provides the bedrock of stability for Labour's growth strategy.

6.21 pm

**Lord Bradshaw (LD):** My Lords, in the time allowed I will concentrate on transport infrastructure. I completely reject the mantra of the Conservative Party that organisations such as British Rail were inefficient. I ran the west coast main line when over 90% of the trains arrived at the right time and almost without cancellations. These are the standards we need to get back to.

One of the big obstacles is the rail regulator, which has not only neglected its statutory duties but instead concentrated on promoting open-access competition. This concept is wasteful of capacity. It is estimated, for example, that 25% of the main line capacity on the east coast main line is used by five-coach trains to destinations served. These could instead be run as 10-carriage trains to Doncaster and York and split there. We need to use the available capacity on the east coast main line, which is very scarce, by running maximum-length trains. The ORR grants access rights without establishing that they are actually feasible, and it then protects them by law. This is why it has proved impossible to produce new timetables for the east coast main line. The Rail Regulator was part of the privatisation model imposed on the railways by the Railways Act 1993, which included compensation for

delays imposed by other operators and by Network Rail—that is, the taxpayer. These mechanisms were identified by Keith Williams as a major source of cost inefficiency, which needs to be got rid of—this is vital.

We can use straight electric trains. We should go forward by announcing our intention, first—as my noble friend Lord Fox said—to maintain the proposed route of HS2 north of Birmingham. It will take a very long time to design and implement any alternative, and the capacity is needed urgently. I would announce the intention to electrify comprehensively the Midland main line when money is available, because it would use straight electric trains, which are more economical than the proposed hybrid trains now under construction. These should instead be used on cross-country services, which were shamefully neglected by the previous Government. Cross-country is a more suitable route for hybrid trains as the extremities are never likely to be electrified, but there is a lot of opportunity to use these trains in electric mode on core routes through places such as Birmingham and Doncaster. Such a move would bring fresh heart to the east Midlands, which is near the bottom of English regions for capital investment. This move would also bring the possibility of work for the Derby rail workshops.

The east coast main line has not seen an uplift in timings, and it is urgently necessary to cut half an hour off journey times between Edinburgh and London to provide an attractive alternative to air travel. A useful start would be made by eliminating capacity bottlenecks such as the flat crossing at Newark, by running at 140 mph and by completely revising the calling patterns on the route. It is essential that the timetable enhancements promised following the £4 billion investment in new trains are introduced soon.

Freight also needs attention. The Government have a modest list of infill schemes provided by the Chartered Institute of Logistics and Transport, amounting to 600 miles. This will improve connectivity, efficiency and decarbonisation. More energy needs to be spent on improving the route through Ely between the east coast ports and the rest of the network. I will stop there because I have run out of time.

6.26 pm

**The Lord Bishop of Newcastle:** My Lords, I welcome the gracious Speech and the importance it places on economic growth. I congratulate the noble Lords, Lord Vallance and Lord Petitgas, on their excellent maiden speeches.

The Government's bold articulation of fiscal reality, and the resistance to colluding with demands for short-term fixes, present a helpful foundation for next steps. One question is: when striving for growth, who will most feel its impact? The UK has some of the highest levels of geographic inequality in Europe. According to a survey conducted in 2022 by YouGov and the Resolution Foundation, 41% of those surveyed in the north-east felt that their region has generally declined in recent years—the highest out of any region in the UK. This feeling is not unfounded when real wages in half of the north-east's local authorities are still below 2008 levels. The impact can be felt in take-home pay and on our high streets, and it is borne out in the investment decisions of businesses.

It is essential that the growth we strive for is for the UK in its entirety, with a particular focus on communities whose potential is not yet fully realised. I therefore welcome the emphasis this Government place on local economies, and I look forward to seeing increases in mayoral powers and local growth plans through the English devolution Bill. However, the responsibility of ensuring that everyone feels the benefits of growth should not rest solely with the Government but should be shared by us all. How can each sphere of society—businesses, charities and civic institutions—partner together so that the benefits of growth are felt more widely?

I would like to highlight the businesses and social enterprises that recognise that their success is bound up with the flourishing of the local communities that they serve. The Big River Bakery in the Shieldfield area of Newcastle is a terrific example of this very point; it is a bakery, shop, cafe, training space, and so much more—a sustainable commercial model partnering with external support, rooted in a deprived local community, and nurturing kindness and compassion in its mission to serve.

There is another bakery, founded in Newcastle in the 1950s. Today, that bakery can be found on high streets across the UK and took an 8.2% share of the UK's food-to-go sales in 2023. I was one of the many who joined Greggs in celebrating National Sausage Roll Day last month by purchasing its limited-edition yard of sausage rolls. That is a lot of sausage rolls; other sausage roll makers are available. Greggs has experienced enormous growth as a business, but it continues to serve its communities, contributing a proportion of its profits towards the Greggs Foundation, which supports local community organisations and addresses issues of poverty and inequality by distributing upwards of £4 million in grants each year and establishing more than 800 breakfast clubs. An example of how profit and growth can be achieved, but through partnership, its impact goes further. How can our Government encourage greater partnership and social responsibility, so that more communities feel the benefits of growth?

It is clear that economic growth is the driving mission of this new Government. I believe that success will be measured by the fruits of growth. My hope is that we will work towards equitable and sustainable growth, achieved through partnership for the benefit of all.

6.31 pm

**Lord Monks (Lab):** My Lords, it is a real pleasure for me today to welcome the speech of the noble Lord, Lord Vallance, and welcome him to this House. It was a very interesting and inspiring speech in many ways. I also congratulate the noble Lord, Lord Petitgas, on his speech. While I am paying compliments, I will mention my fellow former TUC general secretary. We are developing our own union, and it is a real pleasure for us to be in a debate that is about pro-worker and pro-union legislation for the first time for very many years. When have debated these things in this House, it has always been the other way around, with the tide flowing against unions.



[LORD MONKS]

It was almost a rite of passage for successive Tory Governments to load new limits on to unions and to impose expensive red tape on many of our activities, complicating our lives and making it much more expensive to administer the unions. The Conservative Party recognised that anti-trade union legislation did not cost much—so you could say you were doing something—and through that gesture it pleased the party faithful. It cheered them up. But it was also a green light to corporate greed and excess in too many board rooms. As the union power faded, so the bad behaviour on the part of too many employers grew.

Positive employment legislation is not just for workers and unions; it is for better employers, too, as has already been said in this debate today. The better employers are scared about being undercut by the unscrupulous, and the new proposals will generate some much-needed levelling up in that area, as well as perhaps in other areas.

History provides some important lessons here. It was Stanley Baldwin, a Conservative Prime Minister in the 1920s and 1930s, who was concerned about excessive employer greed and rising inequality and decided to promote collective bargaining. We owe a great debt in the union world to what Stanley Baldwin did. If only his more recent successors had followed his example and shown the same degree of wisdom, the country would be in a better place. Collective bargaining will be encouraged by this Bill, and its revival is important to the nation's future.

We all know that the Government must overcome a daunting set of problems. These include a fading industrial base and the continued shrinkage of world market share of many UK products and services. The gap between London and the south-east on the one hand and the other regions and nations of the UK on the other is getting worse. It is very difficult to bring them together more in the way that has been done in some other countries, between capital cities and the smaller and more remote areas. The hard truth is that at the moment areas of the UK resemble eastern Europe more than western European countries, and that is a big difference that we have to deal with. Levelling up will be hard, but it is important to try.

On employment relations, the employment Bill will be a very good thing for many reasons, but it could go a bit further. In the darkest years of the Second World War, Ernest Bevin, who was a union leader and became Minister of Labour and National Service, wrote a letter to the chairman of ICI. He was worried about constraints on output and the urgent need to boost production, and he suggested the establishment of a round table in workplaces that would discuss raising standards in both the quantity and the quality of the work being produced.

There was some follow-up in the form of joint production committees, but other countries were to take up that idea with much greater enthusiasm and adapt it to their own circumstances. In those countries, raising performance levels and market share became a joint mission. Skills, investment, good relations at work and respect became shared goals, whereas we were always a bit more confrontational and, despite

valiant attempts, never quite managed to land that kind of culture. Let us remember that Theresa May dipped her toe in that water when she aired the concept of workers on boards, but that faded as she and her Government collapsed in the damaging aftermath of Brexit.

These are very good measures from the Government, and I am very pleased about them, but I hope that in due course they will go a bit further and promote our own version of a national partnership project. Other countries have managed to do it, and so can we.

6.37 pm

**Lord Mair (CB):** My Lords, I join other noble Lords in congratulating the noble Lords, Lord Livermore and Lord Vallance of Balham, on their appointments as Ministers. I also congratulate the noble Lord, Lord Vallance, on his excellent and important maiden speech—and the noble Lord, Lord Petitgas, on his maiden speech. The noble Lord, Lord Vallance, is especially welcome as Minister for Science. His very considerable expertise in science and technology is warmly welcomed in this House. The vital importance of science and technology was emphasised in His Majesty's gracious Speech in relation to the Government's plans for sustainable economic growth.

The absence of an industrial strategy in recent years has undoubtedly been problematic for this country. The new industrial strategy to be introduced by the Government is therefore very welcome, as is the proposed industrial strategy council, to be established on a statutory footing. It is to be hoped that this will result in a stable pipeline to enable industry and the UK's world-renowned science and engineering research base to deliver innovations and provide confidence for businesses to thrive.

It is also to be hoped that the proposed new industrial strategy has real meaning. Much has been said about industrial strategies over many decades. In 2018, during a debate in this House, the noble Lord, Lord Hennessy, noted that the then formal industrial strategy set out in 2017 had been at least the eighth government industrial strategy to be published since the Second World War. A few years later, that industrial strategy too was abandoned, and from 2021 the previous Government instead pursued various other plans for growth. The establishment by this new Government of an industrial strategy council on a statutory footing should ensure continuity of an industrial strategy. It is continuity above all that is needed.

This country has an outstanding science and technology research base. To harness it most effectively the UK requires a robust and consistent strategy for industry and for universities, scrapping short-term funding and aiming for long-term stability. This is what is crucially needed to ensure economic growth.

My final point relates to employment and skills. There is a huge need for engineering skills to deliver the green and digital economies, adapting to the new, fast-moving technologies. These include the all-important AI, as so well articulated by the noble Lord, Lord Vallance, in his excellent maiden speech. At the heart of the Government's agenda is making Britain a clean energy superpower, with zero-carbon electricity by 2030. The

Government's clean power mission plans major investments in wind and solar power, carbon capture and storage, hydrogen and marine energy, decarbonising the electricity system and long-term energy storage. Nuclear power will also be essential. All these important and welcome technologies will be vital for economic growth. All the associated innovations and required new infrastructure—the driving forces for the industrial strategy—will require many more engineers and technicians to be employed.

Employers are constantly referring to the acute national shortage of engineering skills; this is limiting the success of an industrial strategy or of an infrastructure strategy. There is a substantial untapped resource of future engineers and engineering apprentices in our schools. We need to address this urgently and plug the skills gap. Only then can the much-needed economic growth be realised.

Further education colleges have been neglected for far too long. I welcome the Government's plan to transform FE colleges into specialist technical excellence colleges, as well as reforming the rather unsatisfactory apprenticeship levy, ideally as soon as possible. In addition to supporting our world-class universities, an enhanced future for apprentices, including degree apprenticeships, will be especially important if this country is to become truly a technological superpower.

Overall, I am optimistic for the future. I wish the new Government every success in their plans to enhance the UK's position as a leading industrial nation, these plans being vitally underpinned by science and engineering.

6.42 pm

**Baroness Stowell of Beeston (Con):** My Lords, I am very pleased to congratulate the noble Lord, Lord Vallance, and welcome him to this House, and to congratulate his fellow Ministers on their new appointments to the Government Front Bench. I also congratulate my noble friend Lord Petitgas on his absolutely barnstorming maiden speech; he is going to be an excellent addition to our Benches and I am so pleased that I was in the Chamber to hear him.

Today, I want to focus on the future—specifically, the role of generative AI in producing economic growth. As other noble Lords have said, the UK is among the world leaders in the development of this technology. Indeed, there has been a recent rush of inward investment. During just one week in May this year, CoreWeave announced \$1 billion of investment in data centres; and Wayve, the British autonomous vehicles business, raised over \$1 billion in funding. Alongside CoreWeave, other AI businesses such as Scale AI, OpenAI, Anthropic, Palantir and Cohere have all chosen the UK to locate their European headquarters. The biggest Silicon Valley venture capital firms have opened offices in London. Alongside the appeal of our homegrown talent and their innovations emerging from incubator universities, these firms are coming here because we have not followed Europe and rushed to regulate AI.

In our report, *Large Language Models and Generative AI*, earlier this year, the Communications and Digital Select Committee, which I chaired in the last Parliament and hope to start chairing again soon, highlighted the risks of the Government getting the balance between

safety and innovation wrong. We were concerned about the serious risk of regulatory capture and of introducing legislation that entrenched the market dominance of big tech. We said that the markets for AI must remain open, and that not creating barriers to entry but supporting innovation should be the Government's priority when considering any new regulation.

One of my personal fears with this new technology is not some existential risk to the human race; it is repeating the same mistakes which led to a single firm dominating search, no UK-based cloud service and a couple of firms controlling social media. Only on Friday, the worldwide disruption caused by CrowdStrike's update to Microsoft Windows showed us just how vulnerable we are to concentration in the market. It was therefore music to my ears when Rishi Sunak declared in May that the Government were pro-open source, which is critical if we are to avoid a new oligopoly, and confirmed that they would not be legislating. However, I was dismayed, if not surprised, to read in the *Financial Times* ahead of the gracious Speech that, by contrast, the Labour Government would introduce new AI regulation. I was then confused to read on the day of the King's Speech—in the *FT* again, so it must be true—that following a last-minute tussle between DSIT and No. 10, the Government would not be announcing a Bill but launching a consultation instead.

Today, the noble Lord, Lord Vallance, said that the Government would bring forward

"binding regulations on the handful of companies that are developing the most powerful AI models".

This is precisely what these big tech firms want, because it assumes that the technology is static and no one else can or will enter the market. That is so very wrong and risks closing the door on more innovation and growth. Will the Minister who is winding up the debate please clarify the Government's position on regulating this important new technology? Are the Government pro-open markets? Are they pro-open source? What is their position on copyright in the context of AI? Copyright is the most significant issue of contention, where clarity is needed urgently so that our news and creative industries are properly recognised for their vital contribution to this technology's development.

In short, can the noble Lord confirm that his Government will not adopt a similar approach to that of the EU, or seek regulatory alignment with the EU, when it comes to regulating AI? I worry that when it comes to generating economic growth, this Government's vision of the future will soon look uncannily like the past. While some Members of this House would be rather pleased if it did, when it comes to maintaining our position in the world in developing and deploying AI, and the potential of what some now refer to as little tech, believe me, a new version of "Back to the Future" would not be good for UK economic growth.

6.48 pm

**Baroness Randerson (LD):** My Lords, I start by congratulating the noble Lord, Lord Vallance, on his excellent maiden speech.

I was delighted to see the cluster of public transport Bills in the gracious Speech, including the imaginative reuse of the high-speed rail Bill, although I was

[BARONESS RANDEKSON]

disappointed that government comments so far seem to suggest that they have abandoned the concept of HS2 moving further north. However, I hope that they will use the Bill as a vehicle for a major upgrade in rail infrastructure in the north of England that is way overdue. Across Europe, high-speed rail blossoms. Why should we not be able to do the same in the UK? The three rail Bills should in practice provide a coherent whole, but I am a bit worried that the Government's vision of rail reform may be too complex to truly maximise its potential.

Liberal Democrats support Great British Railways; we support a guiding mind, taking day-to-day control out of the hands of the Department for Transport. However, we have concerns that renationalisation would sap energy that should go into efficient timetables. There is also inconsistency. Apparently, open access operators are okay. What about the ROSCOs—the rolling stock leasing companies? If any part of our railways benefits from excess profits, it is those leasing companies—three large companies with an element of monopoly profits. A quarter of train operators' costs goes to those companies, and yet there seems to be no mention in the outline of legislation about their role. I was, however, delighted that passengers will have a powerful champion.

I was very pleased to see the better buses Bill, which is desperately overdue. We have decades of experience to show how counterproductive deregulation outside London has been. Buses are by far the most frequently used form of public transport; they are used in particular by the youngest, oldest and poorest in our society. But our bus services have been dying off rapidly. We on these Benches agree that of course local councils need greater powers, but they are very cash-strapped, and power without money is meaningless. We want to see simpler, dedicated funding for buses.

Briefly, I was extremely pleased to see the proposal for funding support for sustainable aviation fuel. Aviation is the most difficult sector to decarbonise and urgently needs investment.

We will provide a constructive approach to the proposed legislation. We agree that the priority has to be to strengthen and modernise our public transport infrastructure, which has been a brake on economic social development and our efforts to tackle climate change.

I want briefly to mention two other aspects of the economy. The first is the higher education sector, and I must declare an interest as chancellor of Cardiff University. It is essential that the crisis in university funding is tackled immediately. Higher education has been a leading sector in our reputation across the world, but it is at imminent risk of collapse. The funding model is fundamentally broken, and universities papered over the cracks by recruiting more foreign students. This is a highly competitive market and can work only with government support. Instead, the previous Government undermined the sector by talking down the quality of UK degrees and introducing visa complexities. Universities face massive budget cuts and budget deficits; there will be closures, mergers and

job losses, and long-term damage to the sector. I was therefore very disappointed that there is no legislation to deal with this.

Secondly, in one sentence, the arts sector is desperately underfunded. I make a plea that the Government work with the Welsh Government on the funding of the Welsh National Opera. It spends 60% of its time touring and performing in England; it is as much England's opera as Wales's opera, and it needs urgent assistance.

6.53 pm

**Lord Birt (CB):** My Lords, we are at one of the most challenging moments for government in modern times, with high debt and taxation on the one hand and chronic underperformance in every part of the public realm on the other. Unsurprisingly, the public has become exceptionally disaffected, as we have just all witnessed. Turnout for the election was the second lowest since 1885. The share of the vote both for the Conservatives and the SNP almost halved; between them, they lost almost 300 seats. In the most striking sign of protest, Reform went from nowhere to a 15% share. We should not forget that the Lib Dem's share of the vote barely changed from the 2019 election, or that although Labour gained handsomely in Scotland, there was no increase in its share of the vote in England. This mightily disaffected electorate is indeed hungry for change, yet it is simply impossible for a new Government quickly to put right all that is wrong.

Here lies a great danger: the politics will cry out for plenty of activism and for early signs of progress, but if we are to fix all that is broken, we need to embark in every single area on a long and most carefully considered journey. Of all the myriad issues that confront us, improving economic growth and productivity is by far the most critical, as it is the only way of materially improving both personal prosperity and our failing public services. But we cannot just sloganise about investing in AI and bioscience, vital though they are. We lack, and desperately need, a deep diagnosis of what is holding back the whole of our economy if we are to grow.

We should begin by trying to understand, for instance, why Germany and France have far higher productivity than we do. German workers, for instance, produce 17% more GDP per hour worked than those in the UK. One possible reason for this glaring gap—the noble Lord, Lord Inglewood, touched on it earlier—is the success of Germany's Mittelstand, or SMEs, which produce a far higher proportion of Germany's GDP than the UK's own mid-ranking companies, which, though far less productive, provide 60% of UK jobs and are at the very heart of our working economy. We also need to understand, as the noble Lord, Lord Monks, raised earlier, what is driving our significant regional imbalance. London's productivity, for instance, is an extraordinary 80% higher than the UK's as a whole.

There are many other possible factors contributing to the UK's lower economic performance. First, by common consent—much mentioned today—we take for ever in the UK to do anything where planning permission is needed. This must change. Secondly, the ONS reports that a remarkable 11 million Britons of



working age do not have jobs and are therefore not contributing to the economy. Thirdly, our systems for meeting the skill needs of the economy at every level are lamentable; we have 1 million job vacancies and pronounced skill shortages in every sector, in almost all categories of skill. The noble Lord, Lord Mair, earlier emphasised one particular area. Shockingly, nearly 1 million of our young people aged 16 to 24 are not in jobs, education or training, and are not therefore acquiring the skills that our economy so desperately needs—fingers crossed for Skills England.

Fourthly, to echo the right reverend Prelate the Bishop of Leeds and others, we have by far the worst road and rail infrastructure of any major country, underinvested in for over half a century. I hope the new Government will produce a comprehensive long-term plan—many have mentioned this—for effectively travelling within and between our major industrial areas, both by road and by rail. I hope too that Labour will eventually resurrect its original vision for HS2, framed during its previous term in office, noting that, in the meantime, China has created an HSR network of around 40,000 kilometres and Spain one of 4,000 kilometres, while the UK has still not moved past a miserable 109 kilometres of HSR. The noble Baroness, Lady Randerson, will agree with that point, I am sure.

Finally—this is not an exhaustive list—in an act of extraordinary self-harm we have exited one of the world's big three economic blocs, removing ourselves from a huge single market that we were chiefly instrumental in creating. In the process, we have introduced unwelcome complexity into much of our trading. Goldman Sachs estimated recently that our economy is now 5% poorer as a direct result. Plainly, we must do all we can to optimise the trading relationship with the EU for the benefit of both parties.

In sum, we need to analyse and to address all the many possible causes of our low productivity if we are to grow and to prosper. I hope the Minister will agree.

6.59 pm

**Lord Wigley (PC):** My Lords, I congratulate the noble Lords, Lord Vallance and Lord Petitgas, on their maiden speeches. I welcome the timely reminder from the noble Lord, Lord Heseltine, about the economic cost of Brexit, and indeed follow the noble Lord, Lord Birt, on that matter.

The economic mismanagement of Wales led to the Conservative Party losing every Welsh seat on 4 July. Labour won 27 seats in Wales. Plaid Cymru won four, and its vote increased by almost 30%. The latest poll for the next Senedd elections puts Plaid within a 2% swing from Labour to be the largest party.

I have no doubt that Plaid's surge in support arises from the failure of UK Labour at the recent election to address the economic problems of Wales or to commit on key economic issues, and this led to a 23% reduction in Labour's vote compared to 2019. Specifically, despite Welsh Labour having repeatedly demanded that the Barnett formula be replaced by a needs-based formula—something recommended by a Lords Select Committee over a decade ago—this issue was totally ignored by UK Labour, leaving Welsh

Labour legless. If we are to continue with the discredited Barnett formula, why oh why have the Labour Government not taken the opportunity to ensure that Wales has full Barnett consequential to the spending on HS2, as is enjoyed by Scotland?

We had hoped that we might have had a commitment to transferring the Crown Estate in Wales to Senedd Cymru, as happened in Scotland in 2016, and which—yes—the Welsh Labour Government have supported. But the King's Speech, in flagging up a Crown Estates Bill, makes no such proposal.

Economic development is a devolved subject, but the Welsh Government need the tools and the resources to do the job. The EU recognised the depth of that crisis by according Wales the top level of regional support, and we were promised by Brexiteers that the UK Treasury would replace the EU aid. That just has not happened. The Welsh Government have placed the blame for this on the UK Conservative Government, so at the recent election there was an expectation that UK Labour would make a manifesto commitment on such matters to Wales. Alas, that did not materialise, and judging by the King's Speech those economic and financial expectations are not going to materialise now, either.

Wales needs a new deal to enable the Senedd to take economic initiatives as well as maintain public services to an acceptable standard. Without such a change, the Welsh Government face a £700 million further cut in public services. Are we to see Tory austerity replaced by Labour austerity under this Government? Talking of austerity, will the Government please commit to the removal of the two-child cap, which would help 65,000 children in Wales?

Where do we now stand? The UK Government indicated in the King's Speech their intention to legislate in matters such as transport and planning, matters that have economic significance but which are largely devolved. They did so without prior discussion with the Welsh Ministers, informing them of their intentions on the morning of the King's Speech. Will the Minister please give an assurance that such legislation in devolved portfolios will not be applicable in Wales without the prior consent of the Senedd?

Considerable emphasis has rightly been given by the Government to the generation of electricity from renewable sources, and Wales has huge potential for offshore generation, including tidal and estuarial schemes, but the time profile of such sources may not coincide with demand. So will the Government also please press ahead with the SMR plants planned for Wylfa and Trawsfynydd, generating electricity to meet the baseload? Will the Government also speed up the programme for pump storage schemes to reschedule available electricity to the times of greatest demand?

The cost of energy is a significant factor for Tata Steel at Port Talbot. If Britain has no steel industry, it will not have a credible independent defence capability. Will the Government urgently discuss with Tata whether building new electricity generation capacity at Port Talbot could help Tata to reconsider its present plans?

Agriculture in Wales is the source of secure food supplies and the bedrock of the rural economy. Will the Government end the policy of encouraging meat

[LORD WIGLEY]

imports from other continents, undermining domestic agriculture and worsening the carbon footprint generated by shipping meat half way around the world?

Finally, can we agree across this House that the key to economic improvement is to raise the economic activity rates in all parts of this island? How are the Government going to achieve this?

7.04 pm

**Lord Sherbourne of Didsbury (Con):** My Lords, I begin by giving a very warm welcome to the noble Lords, Lord Livermore and Lord Vallance, in their new ministerial posts. I also congratulate the noble Lord, Lord Vallance, on an excellent and very meaty maiden speech. In his absence, I also congratulate my noble friend Lord Petiglas for his captivating and insightful maiden speech.

During the election campaign, we heard two words repeatedly from the Labour Party: growth and change. When people talk about economic growth, they always think of the Treasury as being the lead economic department, but the fact is that growth does not come from an equation or an econometric model; it comes from people. The only way to get growth is by having a well-educated, highly trained, energetic and enterprising workforce, and a fit and healthy population.

We should think of the three departments of education, health and employment as the real drivers of economic growth. If we are to make them effective, we need radical change. I hope that when the Labour Government get going, the word “change” will not have been a slogan but will be reality.

Taking education first, we all know the importance of students leaving school and college with the skills that employers want—it is talked about a lot—but they will have to be very adaptable, because the world is going to change in ways we cannot even imagine. In 10, 20, 30 years' time, employment will be completely different than it is today. We need to make sure that they are trained and educated in ways that help them to adapt, and that the importance of vocational and technical training is raised again and again, as it was last week by my noble friends Lord Baker of Dorking and Lord Willetts.

We should also think more creatively about how we can bring into our schools people who might not otherwise have thought of teaching, but who come perhaps half way through their careers because they are good communicators and motivators and can bring experience of the outside world from business or charities to motivate our young people.

The second area is health. Again, here we need radical change. I am encouraged by the words we keep hearing from the new Secretary of State for Health. He knows that the NHS is not the envy of the world; there are many other health services around the world that are more effective and efficient. I hope that the Secretary of State will bring forward some radical changes to the health service. If he does, I hope very much that they will be supported by this side of the House and will not get sniped at, as I suspect would have happened if such reforms were brought in by a Conservative Government.

We also need to look very carefully at how we can make our population fitter and healthier, not just treating illness but preventing it. There is a huge job to be done on the food people eat and in encouraging them to be more active. This is a crucial area.

On employment, as the noble Lord, Lord Birt, alluded to, there are now over 9 million people of working age who are not in work and are not looking for a job. Some of those people may have very good reason not to be doing so. However, as he said, that is a huge loss of economic capital which is not being deployed. Again, the Government will have to think very carefully about how they can incentivise people to come back into the workforce, perhaps also with disincentives to encourage them to do so. Radical thinking there is needed as well.

Therefore I hope again that when the Government talk about change, they mean change, not just a slogan.

**Lord Kennedy of Southwark (Lab Co-op):** My Lords, before we carry on with the debate, I remind colleagues that the advisory speaking time is five minutes. When noble Lords get to four minutes, they should begin to make their wind-up remarks so that we can finish. A few contributions have gone to over six minutes, and if that carries on we will be here gone midnight. If noble Lords can just focus their minds a bit and try to keep to the advisory time, we will all get home at a reasonable hour.

7.10 pm

**Lord Drayson (Lab):** Message received, Chief Whip.

My Lords, I add my congratulations to my noble friend Lord Vallance on his excellent maiden speech and his appointment as Science Minister. I look forward to him bringing his wealth of experience to the role and to our debates in this House. In my brief comments today, I wish to focus on wealth creation, and I draw the attention of the House to my business interests in the register.

My favourite painting in the Houses of Parliament is the one of “Queen Elizabeth I greeting her Merchant Adventurers”. It represents a wonderful evocation of the national importance of wealth creation and makes the point that creating wealth involves accepting risk in the pursuit of opportunity. That is what makes it an adventure. Today, that adventure means grasping the potential of science and technology to create wealth and drive economic growth, rewarding and celebrating people for being willing to work hard, take risks and make growth happen, celebrating not just the results of success but the very process of wealth creation itself.

The King's Speech, setting out the Government's mission to secure economic growth, and the Prime Minister's commitment during the election to make wealth creation his number one priority, make it clear that this Government will champion wealth creation—that they stand by the side of the wealth creators, celebrating and motivating them to succeed.

I welcome the national wealth fund and the recently announced changes to the listing rules by the FCA that will come into effect next week. I also welcome my noble friend Lord Livermore's new role, leading on

growth in the Treasury, and I encourage him to move quickly to address the main problem holding back technology entrepreneurs from realising their full potential: lack of scale-up capital. We urgently need to increase the funding available so that our companies can get the capital they need to grow.

We need to stop the flow of equity investment out of the UK and get it flowing back into UK businesses. As of the end of June, UK equity funds have had 37 months of consecutive outflows, totalling more than £20 billion. The UK has the third largest pension market in the world, worth over £2 trillion, but—unlike other countries—we do not invest those assets in the UK. Our pension funds currently own only 2% of the UK market.

That wall of money exiting the UK has depressed valuations, starved companies of growth capital and dried up the UK market for IPOs. It has led to our companies being acquired at low prices, with the number of listed UK companies down by 20% in five years. We have lost many great companies, DeepMind, Arm, Solexa and Darktrace being just some high-profile examples. I therefore welcome the pension schemes Bill and the opportunity it brings to encourage our pension funds to consolidate and to invest in these UK companies to drive growth. We need to get our financial institutions back into the business of backing UK science and technology.

Because of our strong science base, we will create some of the most innovative companies in the world over the next 20 years, in life sciences, aerospace, clean energy and computer science. However, it is not enough to be good at the science and the start-ups—as we are—because we need to be good at scaling them up too. If we build the gigafactories, the server farms and the biolabs here, we will secure the highly paid jobs that go with them and the taxes to fund the public services we need. If we are prepared to grasp this opportunity, ensure growth capital is available, accept the risks and manage them well, we will once again become a wealthy nation. It can be done, and I am delighted that this Labour Government have the will and the plan to do it.

7.14 pm

**Lord Shinkwin (Con):** My Lords, I too congratulate the noble Lord, Lord Vallance of Balham, and my noble friend Lord Petitgas on their powerful maiden speeches.

Democracy means that the voter is never wrong. My party has just been served a very generous helping of humble pie by His Majesty's electorate. It may taste foul, but I sense that they expect us to eat it, and to do so gracefully. Notwithstanding the low proportion of vote share and thus the shallowness of the mandate granted to government, the appetite for change was unavoidably clear—I suspect not so much because of what we did but because of what we failed to do.

Immigration aside, nowhere is this perhaps more apparent than in the field of disability employment. The opportunity afforded by 14 years in government to close the disability employment gap was squandered. It remains at around 30%. Of course there are myriad reasons, but one of them was undoubtedly that my

party, sadly, dropped the ball on disability. Indeed, by actually making it more difficult for disability rights to be enforced, we effectively disowned the jewel in our social justice crown, the Disability Discrimination Act 1995. For me, as someone who was born with a disability and who chose to be a Conservative precisely because equality of opportunity was and always should be an article of faith for any Conservative Government, the failure to apply that principle to disabled people in practice was completely counterintuitive.

So I for one do not regret the commitment in the most gracious Speech to publish a draft equality (race and disability) Bill and specifically to introduce mandatory ethnicity and disability pay-gap reporting for large employers. My only regret is that some in my party still give the impression that they believe this is woke nonsense. Nothing could be further from the truth. Transparency is a good thing, and mandatory pay-gap reporting is in line with recommendations made by the CSJ Disability Commission, which I chaired, the IoD commission on “The Future of Business: Harnessing Diverse Talent for Success”, which I also chair as per my entry in the register, and, of course, the Disability Employment Charter, the brainchild of Professor Kim Hoque. I congratulate him and the charter's founding members on their success in securing around 200 signatories, including companies such as Adecco, Schroders, PageGroup and McDonald's.

In conclusion, I hope very much that the Government will take into account the support of business leaders such as Steve Ingham, the former and very successful chief executive of PageGroup and now chair of the Business Disability Forum, for mandatory disability pay gap and employment reporting, and that this draft Bill will create a supportive policy environment for employers who want to do the right thing for their business by recruiting and promoting diverse talent, but on a transparent, level playing field.

7.19 pm

**Baroness Kidron (CB):** I welcome the new Ministers and commend the noble Lord, Lord Vallance, on his maiden speech. Indeed, I wish the new Government well in their ambition for growth and their commitment to creativity in education, without which we squander both joy and one of our most valuable industries. I am encouraged by early statements about skills and innovation.

I will use my time to raise vital unfinished business that was abandoned as the snap election was called. In doing so, I declare my interests in the register, particularly as chair of 5Rights Foundation and adviser to the Oxford Institute for Ethics in AI. Top of the list was the measure to give coroners access to company data in cases where a child has died. We have campaigned long and hard for this and I am grateful to the Secretary of State, Peter Kyle, for committing to carry it forward in the data Bill. Can the Minister say when the Bill is anticipated and confirm that it will not undermine any existing protections for children's data privacy?

Similarly promised and equally urgent is the new criminal offence of training, distributing or sharing digital files that create AI-generated child sexual abuse. The offence was agreed in principle with the Home



[BARONESS KIDRON]

Office and the irrefutable reasons for it are recorded in *Hansard* on 24 April at col. 588GC. Can the Minister please also commit to this measure?

Other agreed measures, all supported by the Labour Front Bench when in opposition, include data access for independent academic researchers. Access to data is an essential part of the innovation supply chain, and therefore the growth agenda.

There is a scandal brewing as the edtech sector oversells and underdelivers in our schools. The DfE had agreed to a review to establish criteria for efficacy, safety, security and privacy, so that children are as well protected inside the classroom as on the bus to school. A trusted edtech sector is yet to be developed anywhere in the world. It is a necessity and an opportunity.

The new Secretary of State has committed to strengthening the Online Safety Act. The children's coalition has set out its concerns with Ofcom's draft codes, which I will forward to Ministers. The gaps that it has identified are as mission-critical to the published codes as they will be to tackle violence against women and girls. It would mean a lot if the Secretary of State's commitment made in the media to look again was repeated at the Dispatch Box today.

Finally on unfinished business, current UK law determines that computer information is always reliable, which is nonsense and has contributed to multiple injustices, most notably Horizon. The previous Lord Chancellor looked at how to rectify this. I was delighted to see the new Attorney-General introduced today. This must be a priority for him.

This is not an arbitrary list but part of a broader view that we need to live with and alongside technology to build a future that many cannot yet imagine and access, as the noble Lord, Lord Vallance, said. Technology will play an enormous part in our economy, but it is also fundamental to our security, self-worth, well-being, happiness, confidence in the future, and Britain's place in the world, all of which are essential for growth.

Like the noble Lord, Lord Clement-Jones, I am concerned by the absence of a more comprehensive AI Bill, and I pray that the incoming Government have not already blinked in the face of tech lobbying. An AI Bill to establish minimum standards for the design and deployment of AI systems, manage risk, build necessary digital infrastructure and distribute the benefits more equitably is essential. As the noble Lord, Lord Clement-Jones, said, innovation should not be unconditional and regulation need not be the enemy of innovation.

Our response to digital transformation has been poor, largely due to a gap between the expertise of policymakers and those we seek to regulate. A permanent Joint Committee of both Houses on digital regulation is often asked for and could address this. In the meantime, I invite the Minister to meet the cross-party Peers informally referred to as the Lords tech team—of which the noble Baroness, Lady Jones of Whitchurch, was once part—to take forward the issues I have raised and work towards a model of innovation that serves the public as well as the Government's growth agenda.

7.25 pm

**Baroness Benjamin (LD):** My Lords, I rise to speak about the crisis in children's television. I declare an interest as per the register. But first, I congratulate the noble Lords on their maiden speeches, and the new Government. I want to highlight the urgent work that is needed to address the challenges facing children and young people. I hope to work closely and constructively with the Government, along with the children's charity Barnardo's—I declare an interest as its vice-president—to ensure that children grow up feeling safe, happy, healthy and hopeful about their future.

For years I have been calling for a Cabinet-level Minister for Children, so I welcome the Government's new ministerial task force on child poverty, with a unit in the Cabinet Office. Cross-government collaboration is crucial to deliver change and opportunities for all children.

I was encouraged to see plans to strengthen children's social care regulations and measures to address children's health inequalities. However, research by Barnardo's has shown that, as a result of the two-child limit and the cost of living crisis, families are struggling to prioritise essentials. If the existing child benefit policy is not reformed, an additional 670,000 children will be affected by the end of this Parliament, so, alongside much-needed legislative change, the Government need to prioritise investing more of our national wealth in improving children's lives, especially early intervention and prevention. Economic growth is important, but I urge the Government to take bold action in the autumn spending review to lift children out of poverty and invest in the future health and well-being of the children who have faced difficult and challenging starts to their lives. The moral and financial cost of doing nothing is too high.

It was a shame that the Windrush compensation scheme was not mentioned in the King's Speech, but I hope the Government will find ways to end this outrageous scandal. The money has been allocated to do so.

During the debates on the previous Government's Media Bill, amendments were proposed which called for the start of an urgent review into the way our children access content on unregulated online services such as YouTube and TikTok, in huge numbers compared with the dwindling audiences and migration from public service broadcasters. Will this new Government—whose Minister, like me, proposed such amendments calling for the review—now stand by their word and instruct Ofcom to undertake an in-depth analysis of the implications of this huge change in viewing habits and its effect on the children's media industry? YouTube, which has a giant slice of the children's audience, shares very little of its advertising revenue with producers and does nothing to make public service content prominent.

We need to find new ways of regulating these largely unregulated platforms so that they become responsible providers, not just providers of content designed to generate maximum revenue for shareholders, with no thought given to the young people they are serving, which has a detrimental effect on children's well-being and on children's media practitioners. There

are also concerns about how high-quality public service children's content is going to be funded, where it is going to be found and how children are going to view it, as highlighted at the children's media conference.

Children do not have a vote or a voice, but they are massively affected by policies. So, on their behalf and on behalf of those in the media industry, I ask the Government to consider policies that will be beneficial to them: first, to raise the tax credit for animation and television from 22.5% to 40% to match that for independent films, to address the market failure in the kids' area. Also, they should look at ways of implementing a private/public investment fund to invest in companies and content and to allow producers to retain the rights to their work.

The scale of the challenge facing children and young people cannot be overestimated. But I am an optimist, and ready to work with the Government to change children's lives so that they grow up happy, contented and influenced and inspired in a positive way—because childhood lasts a lifetime.

7.30 pm

**Baroness Young of Old Scone (Lab):** My Lords, I declare my various environmental interests and as chair of the Royal Veterinary College, which runs the London BioScience Innovation Centre, the first bioscience innovation centre London has ever had.

I decided not to speak in the environment section of the King's Speech debate because I thought it was more important to say environmental things to Ministers for the economy, for growth and for infrastructure. Climate change, the environment, biodiversity and nature recovery are all central to the UK's future economic growth.

I have three things to say. First, clean energy technology and other environmental technologies will be vital to the UK's response to climate change. But that is not all they are: they are also key industries for the future in which we can compete internationally and create jobs and growth. My noble friend Lord Vallance said, quite rightly, that the UK's science base was world class, but over the past few years we have lagged seriously behind in bringing innovation to market. Investment in green innovation technology and jobs can reverse that and I welcome those elements of the King's Speech that talk about investment measures.

We need to take seriously, as part of this process, the concerns that have been raised by Universities UK and all our universities about the ongoing financial viability of the important university sector in delivering both science and skills for growth. Our UK growth potential is about technologies not just for carbon reduction and climate change mitigation but for adapting to the impacts of climate change that are so clearly already happening worldwide. Basically, it is getting hotter and wetter. The global insurance industry has been warning about this for a long time, saying that huge costs lie down the road. But huge costs mean huge market opportunities, so the UK should use its science excellence to devise solutions to the impacts of climate change globally, not only helping international communities but developing new UK international businesses and promoting growth.

Secondly, we should not throw the baby out with the bath water. The Government were right to identify that changes are needed to the way we do things if we are to achieve a step change in growth and I welcome the enhancements to the Crown Estate's powers and the planning and infrastructure Bill—although much will lie in the detail.

Nationally important infrastructure and new housing and energy developments need to happen faster, but they also need to maintain the ecosystems on which a thriving economy depends. They also have to embrace nature-based solutions. Although I hesitate to use any American phraseology when it is clear that US politics cannot currently walk, talk and chew gum simultaneously, we need to learn to be able to do just that, in order to deliver for both growth and the environment at the same time. It is not either/or but both/and.

The third thing I will talk about is the potential for stoking up conflict. Infrastructure and other planning decisions may well need to be made centrally to ensure that they do not get mired in local opposition, but we must not assume that that central decision-making will make the opposition go away. Government needs tools and mechanisms to enable local engagement and dialogue if we are not to feel the flames from umpteen disgruntled local communities. In my experience, that is a very quick way to lose a majority.

This is where my oft-touted land use framework comes in—I have actually got to three minutes and thirty-nine seconds before mentioning it. The heated debate over the location of infrastructure and housing is just one element of a multiply heated debate about wider competing priorities for land use—not just infrastructure and housing but land for food security, flood risk management, carbon reduction, nature-based solutions and protecting our water supplies and rivers for recreation and health. A land use framework, to which I understand the Government are committed—I would like that confirmed—should develop principles that would allow us, as a nation and locally, to optimise the use of the scarce resources that land represents and make more rational decisions about what goes where. Vitally, it would also offer a conflict resolution process, promoting national and local engagement and dialogue around competing land uses and enabling stakeholders and communities to feel “done with” rather than “done to”. That is vital for economic growth.

I will give one example before the wrath of the Chief Whip falls on me. Communities offered starter homes for their kids, community energy schemes with cheaper electricity and local nature-rich areas can see a benefit to themselves of housing developments or solar and wind farms—or even nuclear power stations—but they need to be given that rounded picture of what land is for and where they lie in the beneficiary tree. So “doing with” and not “doing to” is vital for growth.

I will also incur the wrath of the Chief Whip by saying that I want a land use commission to run this process and, ideally, I would like to chair it.

7.36 pm

**Lord Hodgson of Astley Abbotts (Con):** My Lords, I add my congratulations to the debutants on the Front and Back Benches on the series of very impressive

[LORD HODGSON OF ASTLEY ABBOTTS]

maiden speeches we have heard today. I also do not want to fail to congratulate the Labour Party on its victory in the general election. In so far as the quality of the decisions the Government make will determine the success of this country, for good or ill, over the next five years, I wish them well as they seek to navigate an extremely tricky world and the extremely difficult circumstances of the country at present.

The Prime Minister, Keir Starmer, has successfully delivered the Ming vase to 10 Downing Street. He did not trip or fall over as he got there and the Labour Party is now in full operation. But the scale of the victory gives him and the Labour Party the opportunity to do some radical things that would, if successfully carried out, transform the long-term position of this country.

How should he be brave? I will offer three suggestions for him to consider. First, we need to be prepared to tell the people of this country that you cannot have US levels of taxation and European levels of social security. The numbers do not work. As my noble friend Lord Bridges said earlier, we are living beyond our means. We may be teeming and lading for a bit, but in the long term it will not work. That means we have to face up to some very serious issues, including the future of the triple—or is it quadruple?—lock and the position of local government financing where, as I said in Questions earlier, we have not reformed the bandings for 34 years. That is the first place where the Prime Minister can be brave.

The second place—this point was made by my noble friend Lord Sherbourne—is in supporting Mr Streeter and the work to reform the health and social care system. It will require a stupendous amount of his personal capital and of the political capital of the party as a whole. My party cannot ever touch the health service in that way because we are immediately accused of wishing to privatise it and therefore all reforms are stillborn. But we have an opportunity now to do something about it. We should do something about it, but we should not underestimate the severe vested interests that lie in the way. Some Members of your Lordships' House may have seen "Nye" at the National Theatre, with Michael Sheen playing Aneurin Bevan. In that play you see the enormous concessions and changes he had to make to launch the NHS in the first place—and I do not think the situation has changed.

That takes me to my last point, one that I have mentioned many times in your Lordships' House—the demographic future of this country and the trade-offs, up and down, resulting from the very rapid increase in population that the UK has been experiencing over the past quarter of a century. Let us face the facts. You cannot expect to increase your population by between a quarter of a million and three-quarters of a million people every year without some profound consequences. The downsides are felt most by the least advantaged members of our society, of whom over 20% are now from minority communities, in the provision of worthwhile economic activity, housing and public services, the necessary level of food and water security, the prevention of ecological and environmental degradation and the maintenance of social cohesion. The future levels of population play a vital and critical role.

There is no forecast suggesting that we will not have a population more than 5 million above where it is today—which is equivalent to two cities the size of Manchester—by the end of this century. We need to find a way to address this matter in an open and transparent way that reassures people that we are listening to their concerns. I have suggested a thing called the office of demographic change, or maybe the office of population sustainability. The important thing is that we set in train a methodology to reassure the public that their concerns have been recognised and are being addressed. Given the very far-reaching and irrevocable nature of the results of demographic change, this is in essence a discussion about the sort of country that we want to leave for future generations. If we fail to start that discussion, wilder spirits may well seek to exploit the vacuum that we have left behind.

7.41 pm

**Lord Howarth of Newport (Lab) [V]:** My Lords, there is both the need and the opportunity for the new Government to be radical. We have to address poor productivity, low growth, regional and social inequality, shocking levels of poverty, collapsing public services and environmental degradation. We are told that the fiscal vice is so tight that the Government cannot spend any more money but also that there is a wall of money waiting to be invested in the UK. The case is clear for public/private partnership. The Chancellor has allowed herself more scope to invest than her Conservative predecessor did. The markets will smile on programmes led by government to encourage investment to green our economy and in sectors in which the UK can be globally competitive. This should not mean the national wealth fund making speculative investments in DeLorean-like projects, or the taxpayers soaking up losses while private investors hog the profits. It should involve the Government insisting that partner businesses adhere to principles to which the Government are committed for the public good.

More difficult is to judge what early scope the Government have to improve public sector pay and the funding of public services. The test should be: will such spending strengthen the economy over a reasonable timescale? Will it be good or bad for our economy to stem the haemorrhage of teachers from our classrooms and clinicians from our hospitals? If our economic malaise derives in significant measure from policies of excessive austerity, how can the remedy be the perpetuation of austerity? How can it make sense to say that private spending on every consumer frippery is fine but public investment in services is ruinous? One set of fiscal rules has repeatedly given way to another. What matters is the Government's fiscal credibility. The markets need to know that there are competent and robust people in charge, monitored by a rigorous, reconceived OBR. The Treasury must never be an easy touch, but its default must cease being to wither our economy by reflexive negativity.

The Government have a large majority, great good will in the country and internationally, and five years ahead of them. The Labour Party campaigned on the theme of change. The gracious Speech gives us the first indications of change that I hope to see. A country that does not invest in its young people dooms itself to



failure. The policies that we have inherited—the abolition of Sure Start, the reduction of funding per pupil, the chaos of FE qualifications and the near bankrupting of universities, as well as the immiseration caused by the two-child benefit cap, the neglect of children in care and mental health services, and the defunding of the youth service and drug rehabilitation—could have been calculated to create generations of poor, alienated, unproductive young people and spiralling costs in social services, welfare, health, policing and criminal justice.

The transformation of productivity must embrace education and skills; renewed infrastructure; a functioning housing market to enable a functioning labour market; social security reforms to strengthen incentives to participate in the labour market; the mobilisation of pensions finance; the cutting away of bureaucratic and self-interested obstruction; and improved performance in the public sector, including the NHS.

Through a brave approach to tax reform, Ms Reeves could improve productivity, social justice and Exchequer revenues. I hope she commits to a tax system that is a system and is progressive and green. To pick out just a few plums, she could levy council tax on the current value of properties. She could align CGT and income tax rates and restrict tax relief on pension contributions to the basic rate. She must introduce a carbon tax on greenhouse gas emissions.

Finally, our duty is to bequeath to our children and grandchildren a sustainable economy, so the growth that we pursue must be radically different from the prodigal consumption of irreplaceable natural assets that has characterised GDP-focused growth in the era conditioned by the thinking of defunct economists such as Keynes and Hayek. Our priorities must now be to preserve our natural assets, invest in new environmental assets and pay realistically for the pollution that we cause. The impact on current patterns of consumption, and on some people's amenity, will be painful, but the consequence for our society's very survival of shirking this responsibility will quite shortly be far more painful.

7.46 pm

**Lord O'Neill of Gatley (CB):** My Lords, I add my welcome to the new Ministers and wish them very well and the best of luck in their important roles. I also congratulate the noble Lords, Lord Petitgas and Lord Vallance, on their maiden speeches. Occasionally, as we all suffer long hours into the night, one wonders how the tone of debate in this place can be raised, but I am sure we all agree that the noble Lord, Lord Vallance, in particular, brings an example. I refer to my roles on the register, chairing the Northern Powerhouse Partnership and Northern Gritstone and having been on the now Chancellor's start-up review group.

As the Chancellor and her team know, I believe that a credible refinement of their adopted fiscal rule is necessary to deliver the public investment required to help boost productivity. What would deal specifically with the interesting conundrums that the noble Lords, Lord Fox and Lord Eatwell, raised—and shift the attention away from the inappropriate focus on just the OBR's GDP forecasting, which is not its greatest

strength—would be to go one step further and, along with a beefed-up infrastructure commission more closely aligned with the IPA, enforce them to independently and publicly verify those infrastructure projects that can be shown to have major positive multiplier effects on growth and, as a consequence, reduce long-term debt. I doubt that this would trouble financial markets—possibly the contrary. It is quite conceivable that, if executed with proper independent evidence, it might raise the equity returns in the UK along with the value of the pound.

Central to boosting growth—and with it national productivity—is to raise the performance of so many of our underperforming regions, as pointed out clearly by the noble Lord, Lord Monks. However, there may be evidence of some modest signs taking place in this trend. As the Northern Powerhouse Partnership showed in a brief paper recently, since 2004 the productivity gap between London and the rest of the country has narrowed a little, partly and perhaps surprisingly because of a weak London performance.

Also, crucially, one or two other places have performed relatively strongly within the overall disappointing context of the UK. One of those has been Greater Manchester, which has grown at three times the London average and twice the national average. It is almost definitely not a coincidence that Greater Manchester was the first place to want, desire and to get some devolution back in 2014. In this regard, I applaud the Government's intentions to pursue devolution as seriously as they seem to imply.

A second issue, as covered to some degree by the noble Lord, Lord Vallance, relates to our universities and the commercialising of their research. Northern Gritstone is a reasonably new investment entity that invests in companies coming out of northern universities, anchored by Leeds, Manchester and Sheffield. Twenty-four investments have been made in its brief time, and the £40 million deployed by Gritstone was in the middle of a broader £300 million that was galvanised, which is multiple amounts more than those taking place before Gritstone came into existence. While this is pleasing, it is far from sufficient and much more is needed, as is the case around the country. Efforts by this Government to unlock more long-term capital to support these great ideas and start-ups coming from our wonderful universities should be commended, and these efforts need to be pursued vigorously as well as thoughtfully.

Finally, I will touch briefly on the issue of regional house price trends, which, in fact, have also shown that London has been underperforming many other places since 2015, having dropped back around 18% relative to their peak ratio in 2016. Something out there is happening which is making other locations more attractive. Serious efforts to boost the supply of housing are also therefore hugely welcomed because, if successful, this should add to the apparent reversal of this multi-decade trend, which, among other things of course, has been so damaging for social mobility in the UK. Therefore, some crucial long-term changes may have just started to begin to turn, and with the right policy momentum, like any forms of intervention, will be better if the trend has changed. I therefore strongly

[LORD O'NEILL OF GATLEY]

encourage the Government and both Houses to be truly focused on these issues. More serious economic devolution, more commercialisation of ideas from our great universities, more long-term capital deployments at early and growth ventures, and a bigger supply of housing could do wonders for our productivity and therefore our growth prospects.

7.52 pm

**The Lord Bishop of Bristol:** My Lords, it is a great pleasure to follow the noble Lords, Lord Howarth and Lord O'Neill, and to welcome and congratulate the noble Lord, Lord Vallance, and greet him as the granddaughter of a Cornish man and a Scilly woman, as my father rather cheekily determined it.

I preface my remarks by welcoming, in an adjunct to the gracious Speech, the Government's proposal to renew the Lords Spiritual (Women) Act, and I should declare my interest as I am a Member who benefits from its current provisions. But it is on modern slavery that I wish to focus my remarks this evening as, in the labour exploitation that we have seen increasingly in the areas of agriculture, domestic work and social care, there is growth that we should not seek and indeed need to guard against. As your Lordships know, modern slavery is a crime which affects every community in the UK. It is not a niche issue. It is estimated that 130,000 people are held in modern slavery in our country today, and we are used to hearing about day-to-day transactions where there is exploitation in car washes, manicurists or, increasingly, in accessing social care.

I must start this debate with a belief in the inherent dignity of work and the right of all workers to receive fair payment for their labour, free from exploitation. I applaud the work of many Members of this House and the former Government for their genuine commitment to tackling this terrible crime. The 2015 Modern Slavery Act was by no means a perfect piece of legislation, but it signalled real political intent. We have a world-leading national referral mechanism which supports thousands of victims every year. I am proud of the progress that the UK has made but, while there is much to applaud, there have been concerning developments as well. The Nationality and Borders Act, the Illegal Migration Act and, most recently, the safety of Rwanda Act have all put victims of modern slavery at further risk. This is particularly true where migrant victims are imprisoned, often due to criminal exploitation, and can be subject to a public order disqualification. Can the Minister tell the House what the plans are for these various pieces of legislation as they affect migrant victims of modern slavery? If he cannot do so now, will he commit to do so in the future?

Alongside international trade in human beings is domestic exploitation of human beings, particularly through county lines, and I applaud the ambition to introduce a new offence for criminal exploitation of young people. The need for a clear definition of child criminal exploitation is something which I and many on these Benches supported before in this House. However, I am disappointed that modern slavery was not directly referenced at all in the gracious Speech.

Several noble Lords have mentioned shortages of labour in various sectors and, as many have said, nowhere is this more acute than in our social care sector to which we entrust the lives and well-being of some of the most vulnerable in our society. Last year, nearly one in 10 roles in adult social care stood vacant. There is clearly an acute need for a clear strategy to fill vacancies and deal with issues of recruitment and retention in the workforce. However, it is unacceptable that gaps in the social care sector have led to a rise in labour exploitation. We have recently seen reports that modern slavery is surging in this sector, with nearly one in five potential victims who calls the modern slavery helpline working in social care. Restricted, temporary work visas are creating the conditions for labour exploitation, especially as anyone on a health and care or skilled worker visa has just 60 days to obtain a new visa, during which time they have no access to public funds. To tackle exploitation, we should start by making work visas more flexible so that workers are not trapped in exploitative conditions.

Work must have dignity and give people purpose. I applaud the Government's ambition to strengthen workers' rights and will continue to seek reassurance that we will end the abhorrent practice of modern slavery for good.

7.57 pm

**Viscount Chandos (Lab):** My Lords, I enthusiastically welcome my noble friend Lord Vallance of Balham to this House and to the Government Front Bench and congratulate him on his inspiring maiden speech. I have high hopes and confidence in the ability of him and my other noble friends on the Front Bench—not least my noble friend Lord Livermore—and their colleagues in the House of Commons, to deliver on the excellent measures set out in the gracious Speech and those that will follow in subsequent Sessions of this Parliament. I should also, as a fellow but less distinguished recovering banker, congratulate the noble Lord, Lord Petitgas, on his admirable French philosophical maiden speech.

In its editorial last week on the King's Speech, the *Financial Times* said:

"While the previous conservative administration generally believed in a small government, centred on correcting market failures, Starmer envisages the state as more of a force for good".

If the *Financial Times*, which I generally revere, was trying, like some noble Lords opposite, to present the bogeyman of big government, I believe that it was drawing a false distinction. The new Government's programme is based on impeccable social market principles, being centred on the market and intervening directly or indirectly through regulation only where there are market failures. The difference between this Government and the last is in the recognition of the sheer scale of market failure that needs to be addressed, and urgently, as well as in the competence and determination that will be brought to bear on these challenges.

Partnership with the private sector and private funding is, as my noble friend Lord Wood said, at the heart of the Labour Government's approach, whether in housing, renewable energy, infrastructure or innovation. I will speak briefly about two aspects of this.

First, I welcome the national wealth fund and its sensible approach of continuity, which builds on the UK Infrastructure Bank and the British Business Bank. I was amused by the semantic grumbles of noble Lords opposite about it not being a sovereign wealth fund—not that many of the wider population would, quite sensibly, be alert to the finer points of this definition. I was amused by the irony that, if ever there was a period in which a sovereign wealth fund should have been established in the UK, it was during the Conservative Administration from 1979 to 1997, which coincided with the peak surplus from North Sea oil production. Instead, the revenues were frittered away and the exchange rate pushed to eye-watering levels, with unnecessary damage to UK industrial competitiveness. Economic mismanagement was not confined to only the most recent Conservative Governments.

I welcome too the proposed pensions Bill and the important reforms to the pension fund industry. These are vital, as my noble friend Lady Drake much more expertly spelled out, but if ever there was an area in which the devil is in the detail it is this.

The noble Lord, Lord Morse, struck a note of caution, with which I agree, about the difficulty of balancing the obligations of trustees and managers to deliver the best possible risk-adjusted returns through asset class and geographical diversification with the desire to encourage investment in UK companies and innovation. Although returns from private investment funds—from infrastructure to buyouts, from expansion to venture capital—can be superior to those from public market funds, the disbursement of those returns between different managers and funds is, according to authoritative Cambridge Associates data, much more extreme. It is hard enough to invest in these asset classes as successfully as, say, Wellcome Trust or the Yale University endowment, without any geographical or sectoral bias. We must be careful not to harm the overriding interests of pension fund members through well-intentioned but ill-judged private investments.

I therefore look forward to the Bill being brought forward for consideration by your Lordships' House in due course, along with the other legislation to deliver this excellent programme for government.

8.03 pm

**Lord Holmes of Richmond (Con):** My Lords, I declare my interest as set out in the register as an adviser to LEMI Ltd. I congratulate the noble Lords, Lord Vallance and Lord Livermore, on their new ministerial positions; I look forward to working with them over the coming months. I particularly congratulate the noble Lord, Lord Vallance, on his excellent maiden speech, and likewise my noble friend Lord Petitgas on his tremendous contribution. I look forward to more from both.

I will concentrate on three areas, all of which touch on productivity, possibilities, potential and growth—that is economic, social and psychological growth. The first, as rightly identified by my noble friend Lord Shinkwin, is the issue of disabled people and employment. We currently have an employment pay gap for disabled people of over 13%. I welcome the

forthcoming Bill from the Government and look forward to seeing the detail, but could the Minister say what plans the Government have to close that disability employment pay gap?

More than that is the employment gap for disabled people; only just over half of disabled people of working age are in employment, compared to more than eight in 10 non-disabled people. What is the Government's plan to address this? The previous Government made some progress, but nowhere near enough. Governments of all persuasions cannot continue to waste this talent, decade after decade. It is clear that, when we have a tight labour market, we must look to the talent pools. Disabled people are a bright, deep and broad talent pool, from which the country needs to benefit.

The second area is the question of international trade. Last year's Electronic Trade Documents Act was described variously by me as the most important law that no one has ever heard of and the blockchain Bill that does not mention blockchain. However, it is extraordinarily important, because it is probably the first time that the UK has legislated for the possibilities of new technologies, if you will. Why is it significant? It can unlock billions in liquidity and address the trade finance gap. Could the Minister say what the Government's plan is to enable all enterprises, particularly small and medium-sized enterprises—many of which do not, or believe they could ever, export—to be aware of the possibilities of this new legislative opportunity? What work is happening from the Foreign Office to ensure that other nations—our friends around the world—are aware of opportunities they could benefit from if they passed similar electronic trade documents legislation?

The third area, as has already understandably been touched on—not least by the noble Baroness, Lady Kidron, and the noble Lord, Lord Clement-Jones—is the question of artificial intelligence. It is one of the greatest challenges and opportunities in our human hands. Human-led or human-in-the-loop technologies must be the way that we look at artificial intelligence.

I note that the report of the Chief Scientific Adviser, in March 2023, highlighted the opportunities from artificial intelligence and rightly identified that urgent action was required within the next 12 to 24 months. Is that still the Government's position? We have such an opportunity to change so many of the difficulties that have dogged our society and economies for decades, if we understand how to fully deploy AI and do that with the right-sized regulation and legislative framework. To my mind, it is not time to wait and see, as the previous Government did; it is not time to look just at high-risk models, important though they are, as the current Government are doing. We need broad, cross-cutting, horizontally focused legislation and right-sized regulation to ensure that we benefit from the opportunities and put the citizen, the consumer and creatives at the heart of everything that we do in AI.

If that is not the Government's plan, what they would say to creatives whose IP and copyrighted works are being taken with no consent and no remuneration, not least by large language models? What do the Government say to those who find themselves on the wrong end of an AI decision, often without even



[LORD HOLMES OF RICHMOND]

knowing that AI has been involved in the mix? Even if they found out that AI was there, they do not have any right of recourse or regulator to go to. What is the position if the Government and society do not have a true, invigorated public debate around artificial intelligence, to answer the question, "What's in this for me?", being asked by people up and down the country? If there is no trust, people are unlikely to avail themselves of the opportunities of AI and will certainly find themselves on the wrong end of its burdens.

This must be principles-based and outcomes-focused, in which inputs are understood and, where necessary, remunerated. Look at the Government's regulatory innovation office; why not make it an AI authority and the centre of excellence, and of experts, which is the custodian of the principles of trust, transparency, innovation and interoperability, with an international perspective, accountability and accessibility? We have such an opportunity in the UK, with our great tech sector, universities and English common law, to play a critical role with AI. Does the Minister agree that it is time to look broad, to legislate and to lead? This is our data, our decisions and our AI futures.

8.09 pm

**Lord Layard (Lab):** My Lords, how wonderful that we have two such excellent new Ministers. We are talking about growth, and growth depends on only two things: productivity and employment.

Higher productivity depends hugely, of course, on higher skills. Higher skills are not only more productive in themselves, but they also raise the return to physical capital and therefore they then induce more investment. But our record on skills outside universities is a disgrace. For young people under 25, we have 40% fewer apprentice starts now than in 2010. There is massive excess demand for apprenticeship places. In the Government's matching scheme, there are three times more applicants than there are places available.

The gracious Speech talked of reforming the apprenticeship levy. That is good, but much more is needed. We should be guaranteeing offers of an apprenticeship to every qualified applicant, as we legislated for in 2009 before it was then repealed a year later. That is something we could achieve by the end of this Parliament, and it would be one of the most valuable investments the Government could make.

At the London School of Economics, we have been estimating the value for money across a whole range of policies. For the apprenticeship guarantee, we estimate a ratio of public benefit to net Exchequer cost of 13:1. This compares, for example, with only 3:1 for the typical road-building scheme, and under 2:1 for the lower Thames crossing we were discussing earlier today. So I would like to ask the Minister: what are the plans for implementing the apprenticeship guarantee, which was already hinted at in the Government's election manifesto?

Turning to employment, we now have over 2 million people not seeking work and living on disability benefits. At least half are suffering from mental health problems for which there are effective treatments. We must tackle mental health problems both in childhood, as the

gracious Speech quite rightly said, but also in adulthood. Most adults with mental health problems are simply not receiving the effective talking therapies that NICE recommends. For those with anxiety disorders or depression, NHS talking therapies provides treatment for 13% of all people with these conditions, and the service pays for itself because so many patients go back to work, pay taxes and cease getting benefits. That is good for those with anxiety or depression, but there is no such service for the 1 million or so people suffering from addiction to alcohol, drugs and gambling or from personality disorders. NICE also recommends psychological therapy for all these conditions, but it is simply not provided. A new service for these conditions would increase employment by tens of thousands. In that way it would, again, pay for itself. It should be there in the next NHS plan. Can the Minister ensure that the Treasury supports this idea?

I have given two examples of concrete policies that are good for growth, but of course the real test of a policy is what it does for the well-being of the people and for the public finances. The best policies are those which give the most well-being per net cost to the Exchequer. When we come to the spending review, every policy should be evaluated that way in terms of the well-being benefits it provides relative to the net cost to the Government. The key test should be this benefit-cost ratio. It is not a new idea, but until recently it has been honoured more in the breach than in the observance. One reason for this is that the benefits that were included in benefit-cost calculations were too focused on just income, which is why Ministers typically then had to make their case for their policy in words, not in terms of the benefit-cost ratios. But now, with the help of well-being science, we can estimate a comprehensive measure of the benefits of most policies. The Treasury Green Book now strongly encourages this approach, but it has not been followed in practice.

Can the Minister confirm that when we come to the next crucial spending review, Ministers in all departments will be required to use the Green Book approach to make their case that way, and to do it for current as well as capital expenditure? For it is often as cost effective, or more cost effective, to invest in people as in things.

8.15 pm

**Lord Lee of Trafford (LD):** My Lords, first I declare an interest. I am here in my 83rd year, and there is a threat of the culling of the 80 year-olds. I would like to ask the Government whether they have any plans to provide counselling for us 80 year-olds as we live through the next few years under the sword of Damocles.

The Chancellor, in pursuing her growth strategy has a difficult balancing act. On the one hand, there will be inevitable tax rises—things such as CGT and possibly inheritance tax—but she must be careful to avoid stifling and blunting business and enterprise. Specifically, she must be very careful in possibly ending, for example, the business property relief, which would negatively affect AIM shares—shares on the Alternative Investment Market—because that would very much send the wrong message in terms of encouraging growth. I declare shareholdings in that regard.

I will focus my remarks today, if I may, on the stock market in particular. I think it is agreed that the UK market has been languishing and is undervalued. The number of UK listed companies is down by 40% from its 2008 peak, and of course we have had a rash of recent takeovers. The biggest boost would come, unquestionably, if pension funds modestly—I repeat, modestly—increased their UK equity content. Given that the pension contributions themselves come from the UK and the pensioners live in the UK, it is not unreasonable to ask that greater support is given to the UK equity market.

I have three specific recommendations. First, financial education in our schools is abysmal; there are many more youngsters who speculate in cryptocurrency than invest traditionally. I suggest that the Government gift, say, £5,000 worth of NatWest shares to every state secondary school, with the pupils themselves to decide how they spend that £350 dividend. Assuming full take-up, this would cost about £20 million in total, but it would transform young people's knowledge of the stock market, dividends and banks. I and a number of Tory Peers put this to Jeremy Hunt, who was considering it, but of course the election intervened. I hope that Rachel Reeves will look seriously at this. We should also be encouraging regional public companies to gift small numbers of shares to schools in their locality. I intend to write to the QCA, the Quoted Companies Alliance, about this.

Secondly, there is near zero coverage by television of the stock market or investment opportunities. I believe this to be a national tragedy. I suggest it is a combination of producers' disinterest and fear of the regulator. I got nowhere when taking this up with City Ministers in the previous Government. I hope the new Government will look at this and attempt to bring about a change. We have so many excellent public companies to invest in and support in this country.

Thirdly, I turn to ISAs, which of course have been a huge success, and their precursor, PEPs. I have been a big supporter and, I declare, a beneficiary. I supported the principle of Jeremy Hunt's £5,000 British ISA, but frankly it was rather a damp squib, being too small and administratively messy in that people would have to open a separate ISA. I believe that all future ISA sales and new monies going into ISAs should be restricted to UK-quoted companies. Why give tax breaks to those investing abroad? They are still free to invest abroad, but why do we give them tax breaks to enable them to do it? I am not suggesting that they should have to divest any existing overseas holdings, because that would be too messy administratively, and unfair retrospectively.

8.19 pm

**Viscount Colville of Culross (CB):** My Lords, as many other noble Lords have said, artificial intelligence will revolutionise our economy and our society during the next decade. It will radically improve our productivity, research capability and delivery of public services, to name but a few, so I am pleased that the digital information and smart data Bill will enable innovative uses of data to be safely developed and deployed.

I hope that this Bill will begin to address the wider risks AI poses to us all unless it is developed and released safely. This Government need to ensure that AI develops to support our economy and society, and that it does not take society in dangerous and unintended directions. At all stages of the training and deployment of AI, there are economic and social risks. There are dangers the whole way through the supply chain, from the initial data ingestion of the massive datasets needed to set up these foundation models to their training and deployment, which I hope will begin to be addressed by the Bill.

My concern is that there can be differences in the inputting and modification of AI models that humans do not consider significant, but which could have major and possibly adverse effects on the behaviour of AI systems. It is essential that formal verification techniques are guaranteed throughout the whole process to prove their safety at all stages of the process.

However, the massive costs of training and developing these models, which can run into billions of pounds, have put huge pressure on the tech companies to monetise them and to do so quickly. This has led to rapid developments of systems, but underinvestment in safety measures. Many of us were impressed when at the Bletchley summit last year the previous Government obtained voluntary guarantees from the big AI developers to open up their training data and allow the latest generative AI models to be reviewed by the AI Safety Institute, allowing third-party experts to assess the safety of models. However, since then the commitment has not been adhered to. I am told that three out of four of the major foundation model developers have failed to provide pre-release access for their latest frontier models to the AI Safety Institute.

The tech companies are now questioning whether they need to delay the release of their new models to await the outcome of the institute's safety tests. In a hugely competitive commercial environment, it is not surprising that the companies want to deploy them as soon as possible. I welcome the Government's commitment during the election campaign to ensure that there will be binding regulation on big developers to ensure safe development of their models. I look forward to the Secretary of State standing by his promise to put on a statutory footing the release of the safety data from new frontier models.

However, these safety measures will take great expertise to enforce. The Government must give regulators the resources they need to ensure that they are effective. If the Government are to follow through with AI safety oversight by sectoral regulators, I look forward to the setting up of the new regulatory innovation office, which will both oversee where powers overlap and pinpoint lacunae in the regulation. However, I would like to hear from the Minister the extent of the powers of this new office.

I hope that at next year's French summit on AI the Government will be at the centre of the development of standards of safety and will push for the closest international collaboration. There needs to be joint evaluations of safety and international co-operation of the widest kind—otherwise, developers will just go jurisdiction shopping—so the Government need not

[VISCOUNT COLVILLE OF CULROSS]

just to work closely with the US Artificial Intelligence Safety Institute and the new EU AI regulator but to ensure transparency. The best way to do this is to involve multi-stakeholder international organisations, such as the ISO and the UN-run ITU, in the process. It might be slower, but it will give vital coherence to the international agreement for the development of AI safety.

I am glad to hear the Minister say that the Government will lead a drive to make this country the centre of the AI revolution. It is also good that DSIT will be expanded to bring in an incubator for AI, along with the strategy for digital infrastructure development. I hope that this will be combined with support for the creative industries, which generated £126 billion of revenue last year and grew by 6%, an amazing performance when we look at the more sluggish performance of much of the rest of the economy. I hope that members of the creative industries will be on the Government's new industrial strategy council and that the government-backed infrastructure bank will look not just at tangible assets but at the less tangible assets that need supporting and encouraging across the creative industries.

To bring together AI and the creative industries, the Government need to develop a comprehensive IP regime for datasets used to train AI models, as the noble Lord, Lord Holmes, just told us. There has been much in the press about the use of data without the creator's consent, let alone remuneration. I hope that DSIT and DCMS will come together to generate an IP regime that will have data transparency, a consent regime and the remuneration of creators at its heart.

I hope that the gracious Speech will lead us into an exciting new digital area where Britain is a leader in the safe, transparent development and rollout of a digital revolution across the world.

8.25 pm

**Baroness Blackwood of North Oxford (Con):** My Lords, I declare my interests as chair of Genomics England and Oxford University Innovation, as well as a board member of BioNTech and RTW Biotech Opportunities.

I welcome the noble Lords, Lord Vallance and Lord Livermore, and I congratulate the noble Lords, Lord Vallance and Lord Petitgas, on their outstanding maiden speeches. As a former colleague, I can testify to the integrity and expertise of the noble Lord, Lord Vallance, although I fear that he may look back on Greenbottom as his first missed opportunity.

I welcome the focus on high-value growth set out by the Minister. However, our current economic models fail to account for health as a critical factor in economic growth. We need a new approach. Imagine a health balance sheet where the true economic value of health and the cost of ill health are clearly articulated. Such a model would highlight the preventive benefits of healthcare interventions, even those that add short-term costs, by showcasing their long-term economic gains.

It is understandable that discourse around healthcare is overwhelmingly focused on urgent pressures such as waiting lists and GP services. While these issues need answers, too narrow a focus risks a cycle of short-term fixes. This may relieve immediate stress on the NHS,

but it will not address the root causes of our healthcare challenges. I look forward to the recommendations of the Darzi review.

We often debate the acceleration of ageing and chronic disease across our population, with 3 million rising to 4.4 million people over the age of 80 by 2030 and two in three over-65s living with multiple health conditions by 2035. These trends place immense pressure on our healthcare system. We have heard of 2.9 million working-age people being economically inactive due to ill health, costing the Government an extra £70 billion a year. Economic modelling published last month by the TBI found that reducing the incidence of six major diseases by 20% could raise GDP by almost 1% over 10 years. That equates to £26.3 billion annually. We know that regions with poorer health outcomes experience lower economic activity. Addressing these disparities not only fulfils a moral obligation but unlocks economic potential across the nation.

To counter these trends, we need a fundamental shift from treating illness to preventing it. This means investing more in upstream R&D and university spin-outs, as set out by the noble Lord, Lord O'Neill, early detection, innovative treatments and preventive care. Currently, although our healthcare spend is comparable with other G7 nations, we spend heavily on acute care and lag in areas that would reduce long-term costs. For example, despite recent efforts, the UK still has less than a quarter of the number of MRI, CT and PET scanners per million people than comparator countries. We know that earlier diagnosis is key to better outcomes, and we must do better, so I was delighted to hear the new Health Secretary commit his department to this agenda. But if we want meaningful progress, isolated action by health and care budgets will not be enough. How will the Minister align non-DHSC prevention and care budgets and co-ordinate them with science and innovation spending through the industrial strategy, the Mansion House reforms, the national wealth fund and, of course, Treasury accounting?

Investing in advanced diagnostics and new therapeutics that actually reach patients significantly improves health outcomes and reduces demand because patients either get better quicker or are well managed, and that in turn keeps them in work and enhances productivity. Direct investment in life sciences and health tech stimulates further innovation, creating a positive feedback loop of health and economic gains.

We in the UK are uniquely positioned to lead this transformation. We have a single-payer health system with universal coverage and comprehensive datasets; these are ideal for data-driven health innovations. Initiatives such as the Genomic Medicine Service and the Generation Study have the potential to revolutionise healthcare delivery and set global standards, not to mention the growth engine of our globally competitive university innovation clusters.

It is time to re-evaluate how we think about health and its role in our economy. Health is not just a public service issue; it is fundamental to our economic strategy. The health of our nation is the wealth of our nation. Let us get to work in unlocking it.



8.29 pm

**Lord Touhig (Lab):** My Lords, I join colleagues in the House in congratulating my noble friend Lord Vallance on his maiden speech. I felt after listening to him that this is a Minister who will be happy engaging with Members of this House; we welcome that. I also congratulate the noble Lord, Lord Petitgas, on a lively and fresh contribution. We look forward to many more from him in the months to come. I also look forward to the winding-up speech of my noble friend Lord Livermore. He and I go back a long way, to a time when we were working with Gordon Brown in the early days of the Labour Government in 1997.

I take this opportunity to raise the matter of support to help young people with learning disabilities and autism gain employment; the noble Lords, Lord Shinkwin and Lord Holmes, have already touched on these matters. If we are to meet the Government's ambition to grow our economy, we can ill afford to ignore the skills and talents of tens of thousands of our fellow citizens who cannot get a job because they have a learning disability.

Seven out of 10 people of working age who have a learning disability are unemployed—denied the opportunity of an independent life and the sense of life-fulfilling achievement that work brings. Businesses across Britain are denied the benefit, enthusiasm, skills and commitment of this group. More than that, helping them find work reduces a cost to the Exchequer.

The Fair Shot café in Covent Garden, which operates a training scheme exclusively employing people with learning disabilities and autism, said in an impact report that its programme had saved the taxpayer £210,000 in benefits.

**Baroness Kramer (LD):** Good coffee too.

**Lord Touhig (Lab):** Yes, there is very good coffee there too.

For years, Governments have sought to reduce the disability employment gap. In 2017 the last Government set the goal of helping 1 million disabled people into work by 2027. To be fair, there has been progress—but it is not enough. I desperately hope that this Labour Government will do two things: first, launch a major drive to encourage employers to offer jobs to people with learning disabilities and autism. There are many good examples of businesses that have done this, and we need them to provide mentors to encourage others.

A good start would be to look at a recent report on employment with autism written by Sir Robert Buckland, who as an MP chaired the All-Party Group on Autism. One of Robert's key recommendations was explained under the heading "changing employer behaviour".

I have spoken to many businesspeople. In almost every case there is a willingness to employ a person with learning disabilities, but also a reluctance: how will my staff cope working with a person with learning disabilities? What if they do not fit in? What support do I have to provide to them? Is there any financial support to employ a person with learning disabilities? Are there any examples of where employing a person with learning disabilities has worked out? These are perfectly reasonable questions. I urge His Majesty's Government to launch

a programme of recruiting mentors who have run businesses that have employed people with learning disabilities and autism. With their co-operation and support, I am sure we will persuade more businesses to do the same and help grow the economy—a key objective of the Government.

Secondly, we need to improve the operation of the Access to Work fund. This fund helps people with learning disabilities and autism get the right support to get into work, but its budget has been underspent in three years out of the last five. The Government need to work closely with supported employment providers. In partnership with employers, schools and colleges, they help to create supported internships. A supported internship is often the catalyst that gets a person with learning disabilities into work. It provides the opportunity and support to turn their potential into practical work skills that help them to start a career and further develop their social, emotional and self-advocacy skills. Access to Work plays a vital role in facilitating these internships. Its funding is a key part of the service offered by supported employment providers.

However, employment support providers are facing considerable difficulties with the process. While initial stages work well, including planning for funding approvals, they experience considerable delays when other things are to be processed. In addition, they are facing significant issues when they come to processing claims and receiving funding. There are issues about basic things such as timesheet requirements and concerning the receipt of paperwork. I could go on. I have to say that Access to Work is also a poor communicator with the people it is supposed to be helping. Should he wish, I can give my noble friend the Minister more information, but it would take up too much time for me to do that now.

We need a nationwide scheme to make real progress here—a national strategy with clear and achievable objectives. That objective can be summed in one sentence: to change employer behaviour. That would do more than anything to reduce the disability employment gap, and if we do that we will grow the economy.

8.35 pm

**Lord Lebedev (CB):** I welcome the noble Lords to the House and congratulate them on their brilliant speeches. Mine follows on perfectly from those made by the Minister, the noble Lord, Lord Vallance, and the noble Baroness, Lady Blackwood.

I am delighted to speak in this debate on the gracious Speech as the new Parliament opens. I want to turn the attention of your Lordships' House to an emerging field that can unlock huge benefits for Britain: longevity research. I declare my interest as a trustee of the Hevolution Foundation, which is on the register. Our country faces a medical crisis. As life expectancy increases, the proportion of time spent in good health is going down. We must urgently develop a new approach to medicine, one that tackles the root causes of diseases, many of which—including heart disease, diabetes and Alzheimer's—are fundamentally the same, according to the latest research.

The discovery of the 12 hallmarks of ageing, including the loss of stem cells and metabolic dysregulation, is central to our understanding of what drives age-related

[LORD LEBEDEV]

disease. Also, a ground-breaking new theory suggests that ageing is driven by the loss of vital regulatory information within ourselves, rather than primarily by the accumulation of damage over time, as previously thought. Through epigenetic reprogramming, we could potentially reset our body's tissues to a more functional state. Scientific studies have already reversed vision loss in mice, and human trials are set to begin next year.

There is the discovery of drugs called senolytics, which reverse aspects of ageing while eliminating the senescent zombie cells that contribute to chronic disease and cancer. Cutting-edge breakthroughs such as these, driven by labs right here in the UK, are informing how we tackle the underlying factors behind ageing rather than just tackling symptoms. We are standing at the precipice of a medical revolution catalysed by medical monitoring devices, genomics and the understanding of what drives ageing. Britain can become a global leader in longevity science, and capturing this beachhead would benefit us both socially and economically.

I urge noble Lords to consider the economic benefits. In the UK the cost of age-related diseases is staggering, amounting to billions of pounds annually. Dementia alone costs the UK economy £34.7 billion a year, and the economic burden of age-related diseases is projected to rise rapidly as our population continues to age. Just imagine: by developing therapies that reverse age-related diseases, we can allow people to live not only longer but, more importantly, in good health. The Office for National Statistics estimates that increasing the state pension age could keep people working longer and add £55 billion annually to the UK economy. Just a 20% reduction in six major diseases would lead to an annual GDP boost of almost £20 billion, according to Andrew Scott of the Global Institute.

Obesity treatment has been revolutionised through breakthrough drugs such as Wegovy, which address the underlying causes rather than just the symptoms. While Denmark's Wegovy and Ozempic are shrinking the waistlines of celebrities, they are swelling Denmark's economy and its GDP is predicted to grow 2.1% just this year thanks to these drugs.

We need a paradigm shift. We should approach ageing with the same mindset, tackling it as a medical condition in itself, not focusing solely on downstream illnesses. By becoming the first country to treat it as a medical condition, we can chart a course for more effective interventions and improved health outcomes—a future where ageing no longer means an inevitable decline but instead is a continued opportunity for vitality and productivity, well into our 80s and beyond. The science is now moving as rapidly as the AI revolution and will be similarly if not more impactful, so it deserves just as much attention.

8.39 pm

**Lord Gadhia (Non-Aff):** My Lords, I note my interests as a board member of the Bank of England and the housebuilder Taylor Wimpey, but I speak in a personal capacity.

Over the weekend, I read an article that began:  
“Moments of change usher in moments of hope”.

That certainly feels like the zeitgeist surrounding the new Government and King's Speech. Cynics will no doubt presage the triumph of hope over experience, so it is encouraging to see the incoming Administration making a sure-footed start, following through on promised non-legislative reforms—notably making changes to the planning framework and unwinding many of the previous Government's own goals on local housing plans and targets. Indeed, planning reform to boost housebuilding and infrastructure should rightly form a crucial component of the growth agenda, especially given the domestic multiplier effects, while also recognising that they can provide only one aspect of the Government's central mission to accelerate economic growth and promote wealth creation.

Tackling the fundamentals of economic productivity is a topic that attracts many and varied viewpoints, as today's large speakers' list and contributions testify to. So here are my few pennies' worth. First, you cannot legislate for growth. That may be axiomatic, but legislators are often like people who possess a hammer and view everything as a nail. That said, strengthening the OBR is helpful insurance against the type of behaviour we saw in the ill-fated mini-Budget of October 2022, and it should, I hope, capture a credibility discount from holders of UK government debt—instead of the so-called moron premium we witnessed at the time.

With respect to audit and governance reforms, the creation of a new accounting regulator is both welcome and overdue, but I caution against piling on new statutory governance requirements. Instead, the replacement body for the Financial Reporting Council should be allowed to reform the UK's corporate governance and stewardship codes—it has already started this, in consultation with the relevant stakeholders—with a firm eye on our global competitiveness as an investment destination.

This leads on to the second set of observations. We know that UK investment has lagged behind our OECD competitors for decades. The previous Government tackled both the supply and demand sides of this equation but found it painfully slow to shift the dial. Full expensing of capital expenditure, now permanent, should produce positive results over time. The Treasury should ensure that qualifying assets are defined broadly enough to include the types of intangible investments that are necessary for a predominantly services-based economy in an increasingly AI-driven world. In parallel, shifting the economy-wide asset allocation to higher-return investments should also make a difference, but this requires pension and insurance reforms to be followed through and risk appetite to change. The national wealth fund adds another well-intentioned initiative but is still a pea-shooter compared with the scale of investment required.

So what should we do? Therein lies part of the problem. It is easy to bemoan the absence of radical reforms, but a period of “boring” is good for investment—even more so given the political instability across many parts of the world, including our nearest neighbours in Europe. Apart from hygiene measures, including reinstatement of the Industrial Strategy Council and implementation of the *Harrington Review of Foreign Direct Investment*, we need a period of predictability, certainty and consistency. These are the three most

important words to help restore investor confidence. That is what the noble Lord, Lord Petitgas, attempted during his brief time at No. 10, and I congratulate him warmly on his excellent maiden speech. His newly appointed successor, Varun Chandra, is extremely well placed to continue this.

Finally, it has become fashionable to comment on the challenging economic inheritance, no doubt borrowing from George Osborne's playbook after the 2010 election. The current reality is more mixed and nuanced. Yes, the spending pressures are significant, especially on health and defence, plus there are higher expectations for public sector pay and welfare benefits. But many economic indicators are also starting to turn. In addition, the fiscal drag from freezing tax thresholds will do a lot of the heavy lifting on raising tax revenues—so, come the autumn, the Chancellor may well have more wind in her sails than she is willing to admit right now. Let us hope that luck and wisdom remain on her side, because the alternative options for raising taxes, given the manifesto lock on income tax, national insurance and VAT, all look very unappealing, and could damage incentives for wealth creation and risk choking off growth before it has properly begun.

In warmly welcoming the noble Lord, Lord Vallance, I urge him and the noble Lord, Lord Livermore, to take away three words from today's debate: predictability, certainty and consistency.

8.45 pm

**Lord Sarfraz (Con):** My Lords, I congratulate the Minister and my noble friend Lord Petitgas on their excellent maiden speeches. Both played an incredible role in government over the last few years. I welcome the Government's economic growth strategy and wish the Front Bench the very best in their new roles.

As noble Lords will know, SMEs are our economic backbone; 99% of our businesses in this country are SMEs, and 60% of our private sector workforce are employed by SMEs. A lot of very exciting innovation happens in SMEs across the country, not just in the R&D labs of big companies. However, SMEs need cash to continue to grow and innovate.

One way in which SMEs have accessed cash in this country is through the Alternative Investment Market, to which the noble Lord, Lord Lee of Trafford, who is not in his place right now, referred. AIM has been admired around the world since its launch 30 years ago. Many countries have tried to replicate it, with some success, but they have not been able to nail what AIM was able to do over the past 30 years in this country. It is a fascinating concept for providing a public market with a deep pool of capital investors access to growth companies. There are a whole bunch of very successful stories that have come out of AIM, which have grown to be big, multi-billion-dollar businesses with tens of thousands of employees all around the world.

AIM is one key indicator of the overall health of the SME system, but the market is now struggling. It has been in gradual decline over several years. Twenty years ago, there were 1,700 companies listed on AIM; today that number is just over 700. Companies are de-listing—80 left just last year—and fewer companies are going public. There are fewer brokers and investors,

with less liquidity in the market. It is expensive to go public and stay public. Valuations are much lower than in other exchanges—and then there is the issue of zombie companies, which can raise a few hundred thousand pounds a year to keep the lights on but cannot do much else.

Interestingly, this decline is uncorrelated to stock market volatility in general; it is unique and structural to AIM. It is clear that the market needs love and attention; we need to breathe life into it, and we need to do it now. It may have been a unique SME platform when it started, but is it fit for purpose for the next 20 years? I hope that the Government will evaluate how we can continue to provide deep pools of institutional capital and access to innovative companies and what role AIM might play in that—and the market is a problem for the whole country, not just for the City of London.

One practical step that the Government can take is to mandate the new national wealth fund, the British Business Bank and others, to invest in AIM companies as part of the larger strategy. That will help to crowd in capital. If the wealth fund has confidence in AIM, others will too. But to truly transform AIM, it will need a total reset, not incremental improvements. It will take effort, but there is absolutely no doubt that it is worth having a vibrant capital market for young, promising companies.

8.48 pm

**Lord Sikka (Lab):** My Lords, I welcome new Ministers and Peers to this House and I look forward to working with them. There is much to admire in the King's Speech, but I have a few questions.

I support bringing passenger rail services into public ownership. Can the Minister explain what will happen to those franchise agreements which do not expire within the next five years? These include contracts with East Midlands Railway, CrossCountry and the west coast operator. Will the Minister say something about the cost to the public purse of leaving freight and rolling stock companies, commonly known as roscos, in private hands? Just three companies, Angel Trains, Eversholt Rail and Porterbrook, own 87% of the rolling stock, which is leased out to train companies. All three have complex corporate structures, controlled from an entity in Luxembourg, which obviously means tax dodges, and 100% of their income is derived from the public purse. In the last decade, roscos have paid £2.7 billion in dividends; they have a profit margin of 41.6%; and no UK tax is paid on any of their dividends. I am sure the Minister will find this abuse unacceptable and will act very swiftly. The profiteering by roscos can be ended by purchasing rolling stock directly from manufacturers, or by setting up a new publicly owned entity to replace the existing roscos. I hope the Minister will give us a timetable for ending this abuse.

The £7.3 billion national wealth fund to boost investment is welcome, but it is not really enough to fuel the economic revival that the Government seek. The Government hope to secure £3 of private sector investment for every £1 of public money. Can the Minister please explain what returns the Government are guaranteeing to the private sector for that investment?



[LORD SIKKA]

The Government are effectively resuscitating the private finance initiative, which ran from 1992 to 2018 and secured investment of £60 billion in return for repayments of £306 billion from the public purse. Successive Governments effectively acted as guarantors of corporate profits. Inevitably, each £1 of private investment through the national wealth fund will result in repayment of £5 to £6 from the public purse but, happily, there are alternatives. These include creating new money, as modern monetary theorists suggest; engaging in quantitative easing; borrowing, especially as the cost of borrowing by government is always lower than the cost incurred by the private sector; and the Government can also eliminate tax anomalies and tax the ultra-rich. Will the Minister publish data showing how the Government evaluated these alternatives? That would be very helpful.

It is also very disappointing, at least from my perspective, that the Tory Government's two-child benefit cap, which affects 1.6 million children, has not been abolished. There is no shortage of money. Just last week, the Government promised to increase military spending and promised £3 billion a year in military support to Ukraine. They are also ready to hand new money to Tata Steel as well. The formation of the child poverty task force should not preclude removal of this cap. There is no point in prolonging the misery for millions of children. If the Government are looking for new resources, I can help. They can raise about £14 billion by taxing capital gains at the same rates as wages and levying national insurance on the same. This one change alone would enable them to finance the national wealth fund, without private money, in one go, in one year; abolish the two-child benefit cap; and provide free school meals for all children. What objection could the Minister have to this suggestion?

8.54 pm

**Lord Udney-Lister (Con):** My Lords, I congratulate the noble Lord, Lord Vallance, on both his maiden speech and his appointment as Science Minister. Having worked with him in Downing Street, I cannot think of anybody better qualified to fulfil that role.

In the short time I have, I will draw on three areas: economic development, international trade regulation and the new national wealth fund. On international trade, it will come as no surprise that all the talk of resetting the UK's trade and investment relationship with the EU has caused much concern that the new Government will seek opportunities to reverse the Brexit process and set the UK on a course for ever greater alliance with the European Union. I fear not only that any shift in this direction would undermine the democratic will that was mandated by the British people in 2016 but that ever closer alignment, particularly on regulation, would stunt the growth and innovation space that our businesses so desperately need against the backdrop of these most challenging economic circumstances.

I have long said in your Lordships' House that excessive regulation strangulates our businesses from achieving their maximum output and I therefore caution the new Government to think carefully before locking

the UK's businesses into new and excessive EU regulation. If His Majesty's Government are sincere in their desire to secure the highest sustained growth in the G7, they must think seriously about the negative consequences that EU regulation has had on our businesses in the past and how the world is tilting towards the Indo-Pacific—we are, after all, now members of the CPTPP—which in the next 10 years will represent approximately 40% of trade, compared to the EU, which will represent only 18%. Greater alignment with EU regulations and rules, therefore, may not be in the best interest of the many thousands of SMEs which underpin the nation's prosperity and ability to deliver future job creation.

The previous Government were committed to a global outlook when it came to international trade, and there remain many compelling reasons why we must continue to look outwards. In this interconnected world, the future prosperity of the nation depends on our ability to engage fully with the world. Now is not the time to become insular. We should be bold and pragmatic in our approach. I therefore hope that any trade strategy produced by the Government will seek to build on the time-proven principle that free trade is the mechanism that delivers growth and prosperity to our island home. Correspondingly, trade barriers and unnecessary tariffs work against efficiency and good value.

In the short time I have left, I also want to congratulate the Minister on his commitment to the new national wealth fund. However, £7 billion is a paltry sum. However, having been involved when working at No. 10 with getting the Treasury to commit £250 million to the joint life sciences fund with the UAE, I can only begin to imagine the battles that have already taken place and will, I am sure, come in the near future. Just to put it in a little bit of context, if I may, the UAE through its sovereign funds has already invested £16.5 billion in British infrastructure and companies, so we have a long way to go.

The new national investment fund must have a clear remit to match funding and use its leverage to encourage others to go into areas where they need to see some government commitment to both reduce risk and show commitment. That last point is so important. If the British Government will not show commitment to something, why on earth should an overseas sovereign fund start to show commitment to this country? We need to be able to put money on the table. The last Government's investment was a good case in point, with the £500 million they invested in OneWeb when it was going under. The company was rescued because of that £500 million. The money that it was then able to raise, another £2.5 billion, was enough to save the business and, incidentally, the Government made money out of it.

In a year's time, I hope we can see that the £7 billion, plus other moneys, have been deployed in areas where the private sector needed some support. I, for one, will not complain if sensible risk is taken and we do not get the results in the short term that we want, but I will be highly critical if, at the end of this term, we find that the investment fund still has money in the bank and has not been deployed.

8.59 pm

**Baroness Bowles of Berkhamsted (LD):** My Lords, I declare my interests in the register, in particular as a director of the London Stock Exchange. Like other noble Lords, I welcome the new Ministers to their place. I also welcome the gracious Speech and will participate on several Bills, but now, I want to mention some extras.

First, will the Government bring forward the consultation on a UK captive insurance regime that was in preparation before the election? Captives fit well with City expertise, and we could service the UK market and attract international business.

Secondly, will the Government fix the glitch in cost disclosure presentation that has ravaged the listed investment company sector? Lost investment, largely for real assets such as infrastructure and renewable energy, is now at £30 billion and counting. The noble Lord, Lord Livermore, was supportive in the last Parliament, including of the Bill of the noble Baroness, Lady Altmann, which would have dealt with the issue.

This Session, I have got the draw to introduce a PMB. It will be based on the hugely supported joint industry response to the relevant statutory instrument consultation. The focus is on recognising the role of markets in setting the value of these listed investments and of going concern status in the making of FCA rules and legislative interpretation. Will the Minister meet me to discuss these solutions and how to end the disaster that is hitting a third of the FTSE 250?

Thirdly, do the Ministers appreciate the need to change public procurement methods to meet the Chancellor's plans for growth, especially for growth companies that could multiply their earnings and British prosperity through export? Presently, the procurement process can retard rather than help growth, which I will explain. Very little government or local authority procurement is from small or growth companies, and even when capable of building revenue, they are pushed into further innovation grants rather than accelerated to commercialisation.

Risk aversion is prevalent in both public and private procurement, with default to incumbents and big business. The old saying of "nobody is sacked for buying IBM" is now for buying Google, Amazon, Microsoft or CrowdStrike. It could have been so different for Graphcore and Darktrace if that were not the case, and now their wealth generation is lost to the UK.

On the public side, system integrators—consultants—do the procurement that used to be in the Civil Service. In addition to risk aversion, the system integrator model also destroys intellectual property, or ends with system integrator ownership, stripping new companies of their basis for growth and export opportunities.

In future, AI will play a big part in public sectors, including transport and infrastructure, where government or local authorities are the only procurers. There are innovative, homegrown companies that could scale and export solutions, including to the US, but with present systems, it is unlikely they will be procured or stepped up to sustainable commercialisation.

Interested US entities say to those companies, "Show me your first UK deployment and then I'll buy in", but UK procurement does not happen, so the technology goes up for sale, or the company relocates to the US to get deployed and stays for stock market listing. The US attraction is about procurement as much as it is about investment.

Regulators have the same "big guys" bias: happy smiles if you use the US giants, wrinkled brow and big due diligence demands if you try smaller or newer. Maybe after CloudStrike, the systemic risk will be recognised, not to mention the competitive distortion.

Procurement failing to support growth is a systemic issue needing a co-ordinated response across departments. Will Ministers therefore meet with me and interested parties such as the ScaleUp Institute to examine the evidence and possible remedies?

9.04 pm

**Lord Fairfax of Cameron (Con):** My Lords, I too congratulate the two main speakers on their impressive—or, in the case of the noble Lord, Lord Petitgas, perhaps it is better to say "formidable"—maiden speeches. I also declare an interest as the co-editor of a forthcoming book, to be published by Springer Nature, on the future of artificial intelligence.

In the King's Speech, the new Government said that they will

"seek to establish the appropriate legislation to place requirements on those working to develop the most powerful artificial intelligence models".

That is more than the last Government were willing to do, but it is still not an AI Bill. Given that the leading tech companies continue to compete fiercely against each other to be the first to achieve artificial general intelligence, for the sake of the world I sincerely hope that this proves to be the right approach, especially as the Government's safety institutes and tech ministries are still playing catch-up on AI, especially its frontier models.

However, what I really want to address very briefly this evening is the future of jobs and work as the AI wave starts to wash over the world, and to hope that this new Government will devote the necessary time and resources to think about and plan for the potentially massive employment, economic and societal consequences of that wave.

Discussions about the possible need for a universal basic income have been around for years. More recently, McKinsey wrote about the future of work in the new world of AI eight years ago and has just done so again, including a finding that by 2030 up to 30% of hours worked in the world could be automated. Goldman Sachs wrote last year about the possible loss of 300 million jobs worldwide to AI and automation, and just last week my noble friend Lady Moyo wrote:

"many fear that AI will contribute to long-term structural unemployment, creating a jobless class that will include both skilled and unskilled"

labour. At the extreme, Elon Musk has expressed the opinion that in future AI will take all human jobs, because it will be able to do them more cheaply and efficiently than humans can.

[LORD FAIRFAX OF CAMERON]

The societal impact of any of these scenarios is potentially seismic for this country and the world. I emphasise that I am not falling into the trap of not taking into account the many new jobs that AI will create that did not previously exist—head of AI positions and prompt engineers, to name but two. However, many very informed people consider that this time is different, so because the societal and employment impacts of this AI wave will be so seismic, I hope that this new Government will start to think seriously and deeply about planning for the new world of AI, which we and the rest of the world are just entering.

9.07 pm

**Baroness Morgan of Huyton (Lab):** My Lords, I am delighted to be able to speak, albeit late, in response to the gracious Speech from a Labour Government for the first time in 14 years, and I am very pleased to see such talented Ministers on the Front Bench today.

I draw attention to my interests as set out in the register: master of Fitzwilliam College, Cambridge, current chair of the Royal Brompton and Harefield hospitals as part of Guy's and St Thomas', and chair-designate of Cambridge University Hospitals from the new year.

This is an ambitious Government, who now have the opportunity to deliver real and important change for the UK. However, we all know that it will be very hard and will demand absolute focus on priorities. Tough decisions will need to be made. I know from sometimes bitter experience that there are few easy decisions, but to govern, especially in challenging times, is to take those decisions in a clear-sighted and informed way. It is to say no as well as yes, but to be able to explain why.

This Labour Government have rightly made economic growth their most important mission in government. It underpins everything that we want to see change. It is great that Britain's first female Chancellor, Rachel Reeves, is at the centre of this.

We need to recognise and invest in the engines that can propel the UK forward. Universities around the four nations are such engines and their contributions are far-reaching, and not just as educational institutions: they are the backbone of city and regional economies, and vital to the UK's economic infrastructure and success. Each year, universities in the UK contribute £130 billion to the UK economy and support more than 760,000 jobs, training more than 100,000 public service workers, including nurses, medical specialists and teachers.

Of course, not all universities are the same, and nor should they seek to be, but in different ways, in different communities, they all have economic impact and, crucially, the potential to play a more significant role. They will need insightful and sustained challenge and support to make the necessary plans and reforms that will help to maximise their contribution economically. That must not be simplistic; it is about a lot more than current skill needs.

I will talk briefly about the role that Cambridge, as an example, has played as part of the system. Cambridge University's net total economic impact on the UK economy is nearly £30 billion annually, supporting

more than 86,000 jobs across the UK. For every £1 spent, Cambridge generates nearly £12 of economic impact. That has not happened by chance, but through a deliberate fostering of excellence in research and innovation. Cambridge has developed an ecosystem that fosters the successful commercialisation of these ideas.

The innovation is not just academic, significant though that is to the UK's global standing; £23 billion of Cambridge University's economic impact is generated by companies spun out from or closely associated with the university. This has helped to transform Cambridge into one of the world's leading innovation clusters. It is now ranked first in the Global Innovation Index for the intensity of its science and technology cluster.

All of this generates substantial economic benefits for the region and the UK. The Greater Cambridge economy returns around a £1 billion net contribution to the Exchequer each year, increasing the resources the Government have to invest in the UK's wider priorities.

However, and importantly, universities such as Cambridge not only benefit their local region but can have wider effect by working together. Over the last year, the new Growing Together Alliance was created, the centrepiece of which is the direct partnership between the Manchester and Cambridge innovation clusters. Two of the four biggest companies in the UK—global heavyweights, if you like—are headquartered in Cambridge: AstraZeneca and Arm. Crucially, though, AZ employs more people in the north-west of England than it does in Cambridge. Arm's biggest UK presence outside of Cambridge is not in London; it is in Manchester.

This collaboration between Cambridge and Manchester therefore exemplifies how regional partnerships can enhance national economic growth across the country. It is strongly supported by both local mayors, Nik Johnson and Andy Burnham. Working together is good for both Cambridge and Manchester, and good for the UK. By leveraging each other's strengths, these cities are creating a more interconnected and resilient economic landscape. That results in more good jobs created each year in future-facing sectors up and down the country. Cambridge's internationally recognised academic excellence, scale-up ecosystem, early-stage investment and inward investment complement Manchester's extensive research base, large talent pool, relative affordability and capacity for growth. They are stronger together.

Universities are not just educational institutions but pivotal players in the national economy. They are instrumental in developing the talented workforces and innovators of tomorrow as well as today, contributing to regional and national growth. But that will not happen without real engagement from the Government, so I urge them to commit to work with the UK's HE sector to realise that potential in the coming decade.

9.13 pm

**Viscount Goschen (Con):** My Lords, this has been a classic House of Lords occasion and debate. I might say that the Minister, the noble Lord, Lord Vallance, completely nailed his maiden speech and set the tone.



He held the attention of the House in a remarkable way: one could tell that by the quiet around the Chamber as people listened extremely carefully to what he had to say. I wish him and his colleagues—some new faces and some distinguished faces we have seen in previous incarnations—success in most but not entirely all of their endeavours.

I also pay tribute to my new noble friend Lord Petitgas, who made an extraordinary maiden speech. He spoke with passion, wit and charm, and a lifetime of knowledge of investment banking and related sectors. I feel absolutely certain that we will hear a lot more from him once the House has decided how to pronounce his surname. No doubt a Select Committee will be set up quickly to do that. If it was not against the provisions of the Standing Orders to speak in a foreign tongue, I would say “chapeau” to him—but obviously I will not take that liberty.

It must be rare at the start of a new Government, after the preceding Administration have been in power for a long time and after a vigorously fought elect campaign, for there to be such consensus around the Chamber. From most of what has been talked about today, one has the strong sense that the overall objectives are shared—if not necessarily the mechanics of how to get there. I feel that is very refreshing.

I am particularly pleased that the Prime Minister has placed economic growth front and centre of the Government's agenda. I think it is worth emphasising how resilient corporate performance has been over the past few years in the face of the major challenges of energy price rises, interest rate volatility, Covid, trade regulation with key partners, supply chain pressures, profound changes in technology and global political uncertainty, instability and conflict. None the less, there is a significant challenge to what the Government can do to deliver what they have said they are going to do.

This is one concern I have: expectations are very high of the Government's ability to deliver growth. Although government has an incredibly important role, perhaps the emphasis might be as much on creating the framework for business to create sustainable value, which in the final analysis will be the real creator of wealth in the country, rather than on government being able to make interventions and pull levers, with the exception of some that we have covered in previous debates on the planning system and so forth. Surely the role of the Government—again with the exception of areas where there is a particular strategic national interest—to intervene to create growth drivers is extremely limited and the law of unintended consequences works pretty hard in this regard. Therefore, I was much encouraged by the emphasis on partnership with businesses, and no doubt their requirements and perspectives have been well received already by government departments and Ministers.

However, there is very little that is new here. The requirements of business are much the same as they were before the 4 July election, as indeed is the expertise of officials in the relevant government departments. My concern therefore is that, once the honeymoon period for the new Administration has worn off and the challenge of delivering sustainable economic growth

has become very clear, there will be pressure for the Government to pursue more novel interventions. I think that would be regrettable. I have real trouble equating innovation, agility, risk-taking and technological innovation with more legislation, statutory government bodies and regulation. I am not sure they are perfect bedfellows.

My final point is that this has been a very domestic debate, whereas what we have to consider is the UK's international competitiveness. Every regulatory intervention must be considered in that context. By far the majority of FTSE 100 revenues are international and every aspect of our business system is interconnected with the global economy, so we cannot look at these matters in isolation.

9.18 pm

#### Lord Berkeley of Knighton (CB):

“Ich fühle Luft von anderem Planeten”,

or “I feel air from another planet”. So begins the movement of the second Schoenberg string quartet, in which Schoenberg broke the mould by adding a soprano to the conventional four players and created music of radiant transcendence. The text is a poem by Stefan George. Listening to our debates over the last few days, I have felt a sense of optimism, of fresh air, not simply because of a sound start by the new Government but, importantly, by the reaction of most Members of the Opposition, as we have just heard. For instance, in the housing debate on Friday, there seemed to be a sense of relief that we will now get on with policies that had tended to stagnate.

What has unquestionably been allowed to stagnate is the arts, and music in particular. Creativity is a multi-billion-pound input to our economy but, more important still, an investment in our cultural identity, informing us of who we are and how we fit into today's world, an investment in social cohesion no less. It is all too clear that in the last 13 years we have seen an appalling diminution of the arts, from education at primary level right through to university and onwards to arts institutions, festivals, theatres and opera houses—like Welsh National Opera, currently teetering on the brink of a “to be or not to be” conundrum. Will the musicians of WNO be rescued, even at this late hour?

I want to be fair. Covid was a hammer-blow to an already fragile economy, and Rishi Sunak as Chancellor did his very best to support the creative sector. Unfortunately, the people who slipped through the net were freelance musicians, and it is precisely they who have been most severely affected by the utter catastrophe that is Brexit. Is it not extraordinary that one of our best performing sectors should be hit by a series of own goals from our own negotiators? Do not take it from me; take it from the noble Lord, Lord Frost, who had the good grace to admit that the last Government had got these touring negotiations wrong, despite Boris Johnson's promise that what happened would not happen.

I say in welcome to our new Ministers, particularly the noble Lord, Lord Vallance, on the Front Bench, that I understand that you cannot magic up great sums of money. However, there are things that you can do to change the sensibility of our times. Led by a

[LORD BERKELEY OF KNIGHTON]

flautist Prime Minister, you can invest in a sense of cultural well-being, cultural curiosity, a determination to allow everyone the chance to learn an instrument, not just the rich, as pointed out by my fellow composer, Errollyn Wallen, last week on “Desert Island Discs” and by Kadiatu Kanneh-Mason, mother of that extraordinary family of musicians, on “Private Passions”. She said that in our present state school system, her gifted children—including the cellist Sheku—would have floundered, as the tutoring they received then no longer exists. Is that not an appalling reflection of where we are and what has gone wrong?

Vast sums are not needed to engineer a rapprochement with the EU, with the Erasmus programme, with the exchange of ideas that are so crucial to artistic creativity. The easing of our relationship with our closest trading partner would mean that musicians, be they pop groups or our world class orchestras, would not be mired in expensive and time-consuming red tape and their transport would not be governed by lunatic cabotage rules which require endless changing of lorries between venues.

In his 1948 polemic, *Philosophy of Modern Music*, the German philosopher Adorno acknowledged that Schoenberg had forged in that string quartet a new aesthetic

“in the midst of expressionistic chaos”,

but he went on to explain how these innovations were the logical development of Beethoven and Brahms. We too must now get across a divide and go back to a vision of many years ago, to the Arts Minister, Jennie Lee, who wrote:

“In any civilised community the arts ... must occupy a central place”.

Lisa Nandy, the Culture Secretary, faces a huge but exciting challenge. I and my colleagues are here to help her and her Front-Bench colleagues in your Lordships’ House in any way that we can. Let us all take a breath of fresh air.

9.24 pm

**Lord Grantchester (Lab):** How exhilarating it is to speak again from this side of the House. How refreshing that, at long last, the opportunity to deliver on ambition comes our way; to bring stability and certainty back through an industrial strategy that will help economic growth, which is the subject of today’s debate. There is so much in the gracious Speech to celebrate, and I must mention first the football governance Bill, by which sporting opportunities will be enhanced, not least through the growth of the women’s game, which is one of the fastest growing sectors in sport. It is interesting that in the Women’s Super League all the forthcoming season’s clubs will be the same as in the men’s Premier League, reflecting the investment being made by our leading clubs.

The most pressing issue facing us today is climate change. Along with a healthy environment and housing, it is paramount in the programme ahead and can be tackled only through science matched with changing our behaviour. I congratulate my noble friend Lord Vallance on his appointment and maiden speech today. He quoted Karl Popper, who I recall was prominent in the thinking of the philosophy department at the

London School of Economics during my university days. In congratulating my noble friends on these Benches on their appointments, I must celebrate the appointment of my noble friend Lord Hunt of Kings Heath, as he introduced in this House what became the Climate Change Act 2008. Equally vital today will be introducing the Great British Energy Bill to set up a new publicly owned company to galvanise clean power projects nationally and bring forward plans to decarbonise electricity by 2030. Urgency is highlighted by the continual warming of the planet that, to my mind, has already passed the threshold of 1.5 degrees above pre-industrial levels, and, with it, increased the importance of adaptation and resilience that fall under Defra’s responsibilities.

I welcome my noble friend Lady Hayman of Ullock to her appointment and urge her to re-examine your Lordships’ report on the future of land use, which was constrained and diminished by Defra in the previous Government. The report has important messages on planning, rural policy and multifunctional aspects of demand for land, none the least of which is demand for infrastructure and housing. My noble friend Lady Young has put forward her credentials for this today, and I will gladly join her in her endeavours.

Stability of policy and certainty for business can be enhanced through devolution of power to the regions, reflecting priorities better initiated by local communities. This can be underpinned only by a clear long-term industrial strategy. In the north-west, the most important aspects of growth are infrastructure and skills, with focus on the region around Merseyside, Manchester and Warrington, not just on the Atlantic Gateway and bringing energy onshore to distribute through necessary national investment in the grid but on skills and training.

Local investment around Crewe was devastated by the sudden cancellation of HS2, reversing vitally needed connectivity. The creation of a mayor for Cheshire and Warrington to co-ordinate with Liverpool and Manchester and reach towards the West Midlands would be a major impetus for igniting economic growth. The focus of a mayor would enhance with solid foundations an area that already has a strong economy. I declare my interest as being asked to help Cheshire business leaders after my experience serving on public and private partnerships, now that LEPs have effectively withdrawn from providing leadership at a subregional level. Cheshire has a population of over 1 million, with a GVA of £31.2 billion in 2020, and it is growing jobs at 3.9% against a rate of 2.9% in England, with a balance of the workforce across all sectors of the economy. The opportunities for growth are extensive. They are also now available from unblocking trade with Europe. They need to be urgently seized.

9.29 pm

**Lord Horam (Con):** My Lords, I genuinely congratulate the Labour Party on its success at the polls, and I also congratulate our two maiden speakers on their first excellent efforts. My noble friend Lord Petitgas gave the lie to the famous remark by former President Bush that the problem with the French is that they do not have a word for “entrepreneur”.

The stated economic aim of the Government is to be the best-performing economy among the G7 nations and to do that by massively improving the rate of housebuilding. Good luck outperforming America. Leaving that aside, does anyone seriously think that they can hit their target of building 300,000 houses a year and 1.5 million over a five-year Parliament? Last year, we produced 165,000 houses. At the present capacity of the construction industry, it would be difficult to get up to 300,000 a year by the end of five years, never mind to reach that every year.

There is also a big downside to boosting housebuilding to the levels that Labour proposes: it gobbles up ever more of England's green and pleasant land. Estimates suggest that even building 1 million houses would mean concreting over an area the size of Birmingham. The UK is already the second most heavily populated country in Europe. People do not want this. According to a YouGov poll, 73% of us think that Britain is already overcrowded.

On top of this assault to the countryside and damage to the *cordon sanitaire* of the green belt, Ed Miliband has already lifted the *de facto* ban on onshore wind farms and approved three massive solar farms. Many years ago, the poet Philip Larkin penned these lines:

"And that will be England gone,  
The shadows, the meadows, the lanes...  
There'll be books; it will linger on  
In galleries; but all that remains  
For us will be concrete and tyres".

That is the serious danger of the present Government's approach.

None of this is necessary. Of course we want young people to have a decent house that they can afford and we want to do our bit for climate change, but it is perfectly possible to do this while at the same time having solid economic growth, and without destroying our precious and limited countryside. For example, the number of households in the UK increased by 3.3 million between 2000 and 2019, but an examination of the census figures shows that in three-quarters of these the head of the household was an immigrant. If we reduced legal immigration to reasonable numbers, the demand for new housing would be significantly reduced. We could also make better use of our existing housing stock and allow local authorities—here I suggest being really radical—to compulsorily purchase land for housing at much lower prices, as Shelter has suggested. The price of land is 50% of the cost of a new house.

As regards solar and onshore wind farms, we certainly need offshore wind and have done very well there, but we could do far more with nuclear power. France, for example, has the cleanest and cheapest power in Europe, because it has spent 50 years investing in nuclear energy. I was very glad to hear Ed Miliband making some helpful remarks in that area.

I appreciate that, after 14 years in opposition, the Government want to move ahead fast and improve our economic growth. I am with them on that, but there are plenty of areas and opportunities for growth that do not impact on the environment: life sciences; fintech; AI, as my noble friend Lord Fairfax of Cameron just remarked; quantum computing; high-end engineering; and the creative industries. These are all areas where we can grow. Above all, we need to make more of the

things that other countries want to buy from us. That is the central weakness of our economy, which we need to put right. In my view, that is the right way to go, not bulldozing the countryside for more developer housing and covering our farming land with solar panels.

9.33 pm

**Lord Truscott (Non-Affl):** I too congratulate the new Ministers and welcome them to the Front Bench, and warmly commend the noble Lords, Lord Vallance and Lord Petitgas, on their excellent maiden speeches.

His Majesty's Government's priority mission to stimulate economic growth is laudable. I also welcome strengthening the Office for Budget Responsibility. Never again should a Prime Minister play fast and loose with our economy. A national wealth fund is a good innovation; it is just a pity that this was not created in the 1980s when, unlike Norway, our North Sea oil and gas bonanza was blown on tax cuts for the already wealthy. What do we have to show for it now as a country?

Investment in clean power and our public services after years of neglect will not come cheap. His Majesty's Government will need to find new revenue streams if we want to invest in new technology, schools and hospitals, and across the regions of the UK, and to fund social care and support an ambitious housebuilding programme.

May I make a suggestion that I have raised a number of times in your Lordships' House over the last few years? It is surely time to reform inheritance tax, which is paid by less than 4% of the population. To put this in context, if we returned to post-war levels of death duties this could raise £174 billion—enough to fund all our public services properly, including social care, and provide homes for all those who needed them.

A large number of lucky people will benefit from inheritance, but many more people will not, and wealth and property inequalities will only increase. Society will increasingly lack social mobility and move further away from a meritocracy, as opportunities and life chances will depend on whether your parents or grandparents left you a significant legacy or not. Those lucky enough to win the inheritance lottery have just to sit and wait to inherit. Others will not have those advantages. It would be better in my view to transfer a bit more of this inherited wealth to those who need it, and to fund HMG's ambitious programme through a reform of inheritance tax, rather than make those same people continue to pay the highest level of tax for 70 years.

Many people would prefer to have their estate taxed after they are gone, rather than pay higher taxes during their lifetime. Switching the burden of taxation, even to a limited degree, from income to inherited wealth is one way to achieve this. It avoids the pitfalls of a wealth or property tax, which can hit the living, who are often cash poor but property rich—for example, an elderly couple living in their own home.

I am aware that inheritance tax is one of the most unpopular taxes—particularly, perhaps, in your Lordships' House—but this is frankly illogical because over 95% of people never pay it. The average inheritance, where



[LORD TRUSCOTT]

there is any at all, is £11,000. Up to £1 million can be currently inherited tax-free from both parents. Nevertheless, there are well-documented alternatives to the current inheritance tax, which is virtually unpaid by the very wealthy. As Paul Johnson, the director of the Institute for Fiscal Studies, said:

“If you have millions it is absurdly easy to avoid”

inheritance tax. The Office of Tax Simplification showed that the average rate of IHT increases from under 5% for estates with a net value of under £1 million; up to 20% for estates valued at £6 million to £7 million; after which it falls to 10% for estates with a value of £10 million or more.

As the Resolution Foundation proposed, inheritance tax could be replaced by a lifetime receipts tax. This would deal with the fallacious argument that IHT is double taxation—we all pay income tax and VAT, for example.

Agricultural property and business asset exemptions, including for AIM shares and gifting, are widely exploited. These exemptions could be restricted to family businesses and farms. IHT could also be made a progressive tax, so the effective rate increases with the size of the fortune, rather than decreasing as now.

The UK's tax take on inheritance and gifts is less than all but one of the other G7 countries. As Demos reported, if the UK taxed the same proportion as South Korea did in 2022, it would have raised about £14 billion in 2019-20, rather than the £5 billion raised. For the above reasons, I commend inheritance tax reform to the Chancellor of the Exchequer.

9.38 pm

**Viscount Hanworth (Lab):** My Lords, the incoming Government are right to express dismay at the state of our nation and the economy, and to be cautious about the prospects for achieving the growth that might alleviate some of our problems. Our productive capacity is so attenuated that any economic expansion is bound to encounter obstacles that will limit it.

The expansion of the building industry in pursuit of new housing will create a scarcity of building materials that will lead to sharp price increases. Also, since Brexit, the lack of skilled labour in the industry has worsened.

The expansion of our electricity-generating capacity, via windmills and solar panels, will demand equipment that is not manufactured in the UK. Such an expansion that depends on imports is bound to lead to a problem with our balance of payments.

A recent report commissioned by the Conservative Government extolled the virtues and even the necessity of foreign inwards investment. According to the report, this should provide the funds to sustain investment in industrial infrastructure and alleviate problems with the balance of payments. The report seems to have found favour in some quarters of the Labour Party. I fear that this report has encouraged a common delusion. Inwards foreign investment has rarely been directed at creating and sustaining industrial infrastructure. Instead, it has been aimed at acquiring the ownership of British enterprises. Such foreign investment has been favoured by our financial sector, which derives an income from

mediating the sales of our assets. One of its effects has been to increase the demand for the pound in the currency markets, which has enhanced its value. The overvaluation of sterling has made it difficult to sell our manufactured goods abroad; this has been one of the principal reasons for our economic decline.

One way of addressing the problem would be to require our central bank to purchase foreign currencies at times when they are cheap and when the pound is overvalued; this should depress its value. This method of controlling the exchange rate is widely practised by other countries. However, ever since the debacle of Black Wednesday on 16 September 1992, when the UK was forced out of the European exchange rate mechanism, it has been a nostrum of Conservative Governments never to intervene in this way in the currency markets. Such inhibitions should not constrain the present Government.

Seeking to expand our exports should be part of the strategy for industrial recovery. We should also seek to invest in the technologies that will be essential to a green industrial revolution and to provide such technologies to the rest of the world. Advanced nuclear technologies will be a vital element in seeking to decarbonise our energy supply. Here there is a tale of woe to be told. Unless we take steps to support projects to develop new nuclear technologies, we shall have to depend on foreign suppliers.

I will mention three leading UK projects to build fourth-generation nuclear reactors. They are from Moltex Energy, Copenhagen Atomics, and newcleo, and we are in danger of losing all three of them to other countries. Moltex has sold much of its intellectual property to the Canadians, and is now going slow with its UK development through lack of resources. Copenhagen Atomics, which had also been calling itself UK Atomics, is withdrawing its resources from the UK. Newcleo has been constrained to go to France for its nuclear fuel. Our Office for Nuclear Regulation has declined to embark on a generic design assessment of the reactor, declaring that it would be premature to do so, albeit that the equivalent French agency, the Autorité de Sûreté Nucléaire, is doing so with alacrity.

The message is that unless we make immediate declarations of support for these endeavours, we shall have no projects to supply the next generation of nuclear technology, which promises enhanced safety and facilities for disposing of nuclear waste. It looks as if we, who were once the leaders in civil nuclear technology, will have to rely on other nations to provide the technology in the future.

9.42 pm

**Lord Razzall (LD):** My Lords, this is not the first Government to prioritise growth. In 1964, Harold Wilson put George Brown in charge of a Department of Economic Affairs, to remove what he regarded as the dead weight of the Treasury. George Brown's plan was to have 25% growth to GDP between 1964 and 1970. It was not really his fault that this did not work; the economic turbulence in the exchange rates blew sterling off course, and we had the subsequent devaluation. Of course, the next overt attempt was by Liz Truss, and it was certainly her fault that there was no growth there. From these Benches—unlike the noble Lord,

Lord Callanan—we are delighted that the Government are to legislate to lock in the role of the Office for Budget Responsibility, ignored by Liz Truss with devastating consequences.

Concentration on growth is obviously welcome. Whether the plethora of new quangos will deliver it, who knows? We are promised a growth mission board, a growth delivery unit, a National Planning Policy Framework, an innovation office and a national infrastructure and service transformation authority, let alone the national wealth fund. Good luck.

I will concentrate on three of the proposals that could lead to economic growth. First, there are the proposed planning reforms. Clearly, nothing picks up the pace of growth like a housing boom due to the multiplier effect across the economy. On these Benches we will need to look at the detail of the Bill, but the Lib Dems have always favoured building more houses, provided they are in the right place. Our preference has clearly been for brownfield rather than green belt, but most importantly—actually, vitally—new estates must create a community with GP surgeries, schools and shops, not arid deserts. We await the contents of the Bill.

The second area that has not been touched on in this debate, I think, but in a lot of ways is a no-brainer for growth, is essential defence expenditure. I know that we are looking to go up to 2.5% on defence, and that the Government say they cannot agree the timing until they see the result of their strategic review, but we know now, without seeing that review, that massive replenishment of ammunition is required. All the military services say that we have exhausted our ammunition supplies in the light of what is happening in Ukraine. We cannot wait for the review to replace them. If they are manufactured in the UK, that would provide a kick-start for growth in that area.

Thirdly, noble Lords would not expect me to finish without talking about Brexit, which was negotiated, in our view disastrously, by the noble Lord, Lord Frost. I do not think he is in his place. I am sure he has taken on board the remarks of the noble Lord, Lord Callanan, about civil servants going into politics.

I turn to the potential effect of the creative industries, which a number of my colleagues and other speakers have talked about. The creative industries have huge potential growth and, if we can improve our relationship with the European Union, there will be significant benefits. The obvious one, which the noble Lord, Lord Berkeley, mentioned, is musicians touring and technical support. These are potentially great contributors to growth in our economy, and I hope that the Government can negotiate an improvement in their status. So let us hope that the Government succeed where George Brown failed and where Liz Truss crashed and burned. It is a tricky thing, growth.

9.47 pm

**Lord Londesborough (CB):** My Lords, this may be my last opportunity to speak in a debate on the King's Speech, given one Bill coming our way on which I will refrain from comment tonight. I will focus on Labour's key mission of generating the highest sustained economic growth in the G7, with

"productivity growth in every part of the country".

I am eagerly awaiting a strategy for productivity that matches that ambitious statement. If you try googling the term "UK productivity", the next suggested word that pops up is "problem", followed by "puzzle". That sums it up rather well. Put bluntly, we have developed some bad habits. We produce too little, consume too much and borrow heavily to finance our deficits, with our national debt fast approaching £3 trillion. That is very bad news for an ageing population with a shrinking workforce. The critical measure, GDP per capita, has barely moved since the financial crisis, while our labour productivity, as we have heard, remains below that of the US, France and Germany and, importantly, has been so for decades.

Stagnant productivity does not just take growth; it blunts our competitive edge overseas—witness the last five years of declining exports. In business, it generally leads to zombie companies, distress takeovers or, worse, bankruptcy. My own experience of productivity stems from 30 years as an entrepreneur in the information space and 10 years advising and investing in start-ups and scale-ups. Indeed, my livelihood depended on the productivity of my staff, both here in the UK and overseas. Over those years I discovered that productivity is not just structural; it is cultural. It is crucial that in the UK we create a performance culture that runs across both public and private sector workforces. This requires leadership, smart management, astute recruitment, and relevant skills and training. Above all, it requires proper incentivisation of our workforce, rewarding performance and developing a stakeholder culture.

The UK has much to learn in this regard from the US and many countries across to Asia-Pacific, all of which are growing considerably faster than we are. I suggest that boosting productivity requires explicit targets rather than lofty mission statements. Why not be bold and set a GDP growth target of 3% per annum for the next five years? To achieve that, we would probably need to improve our worker productivity by 2% every year—not impossible if we set our minds to it and hold ourselves accountable.

I have yet to mention the classic drivers of productivity: higher levels of public and private investment, upgrading infrastructure, education, innovation and technology. All are highly relevant but mainly long-term projects, with a five to 25-year payback that requires huge levels of funding. The problem is that we have an immediate need to mind the productivity gap, and time is not on our side.

Time is not on my side either, so I will conclude by welcoming both Ministers to their new roles and asking them, as I did their predecessors, whether the Government will consider setting up a productivity council on a statutory footing that is permanent and not subject to political churn. This body would inform, co-ordinate, measure and evaluate policies that impact on private and public sector productivity across all departments. Its members, critically, would have had first-hand experience not only of what drives productivity but of what it takes to stick to targeted long-term measures.

9.51 pm

**Lord Hendy (Lab):** My Lords, I too add my congratulations to my new noble friends on their appointments to the Front Bench, and the noble Lord, Lord Vallance, on his speech. I celebrate the new Government's commitment to the new deal for working people. I declare my interests in the register and as legal adviser to the task force that drafted the new deal.

Without doubt, the proposals to enhance individual rights and make the repeals identified in the new deal are most welcome. A secure, well-paid workforce with decent rights is not just beneficial for workers. The recent Institute of Directors survey shows that the new deal proposals enjoy considerable support among employers, and the recent TUC survey shows how enthusiastic the public are.

Yet more is needed to address a fundamental problem: the overwhelming majority of our 31 million working people have no control over—indeed, no input into—the determination of the terms and conditions on which they work. We need changes to the law to allow workers to exercise collective leverage through their trade unions to balance the economic power of employers. Labour's plan will certainly help in this respect, allowing unions to have reasonable access to workplaces and reforming the statutory recognition procedure.

But a key proposal of the new deal has lost some prominence. The new deal proposed collective bargaining machinery for each sector of the economy. Instead, Labour intends such bargaining for the social care sector and for school support staff, with a commitment subsequently to

“assess how and to what extent”

sectoral bargaining arrangements

“could benefit other sectors and tackle labour market challenges”.

Yet the case for extensive collective bargaining is firmly established internationally. The OECD and the ILO have been pressing its case for years, and even the IMF has pointed out its advantages. The EU introduced a directive last year requiring every state with less than 80% of its workforce covered by a collective agreement to produce an action plan to achieve it.

In the UK, compulsory sectoral bargaining was introduced in 1909 and voluntary sectoral bargaining promoted from 1917 onwards, encouraged in the 1930s, as my noble friend Lord Monks pointed out. By 1945, and through to 1980, collective bargaining coverage in the United Kingdom exceeded 80% of the workforce, but anti-union legislation and government policy have collapsed coverage to fewer than one in four of our workforce. The rest have their terms dictated by their employer unilaterally. The result has been catastrophic for workers. The Government acknowledge the growth of job insecurity. Median real wages have not risen in value since 2007. Half our workforce earns less than £550 per week, and 38% of those on universal credit—2.3 million people—are in work.

Research shows that sectoral agreements would increase wages, eliminate pay gaps, diminish inequality, regularise hours, enhance productivity and stop labour cost undercutting. Such agreements would improve the conditions of life for millions and increase demand for goods and services, which would be instrumental

in growing the economy. They would slash the Government's expenditure on benefits and increase their tax take. Above all, they would allow workers again to have a say in setting the terms and conditions of their working lives.

Sectoral collective bargaining therefore cannot stop at social care and school support staff. The need for sectoral bargaining across school teaching, food production and agriculture, warehousing, parcel and food delivery, hospitality, retail and many other sectors is as acute. I hope my noble friend the Minister will be able to assure the House that fair pay agreements will be rolled out across the economy.

9.56 pm

**Lord Elliott of Mickle Fell (Con):** My Lords, I add my congratulations to the noble Lords, Lord Vallance of Balham and Lord Livermore, on their new positions in His Majesty's Government. I wish them both well in their duties. I also congratulate my noble friend Lord Petigash on a superb maiden speech, which was both amusing and intellectually powerful. In this debate on the gracious Speech, I shall talk about employment, an issue that I champion as president of the Jobs Foundation, as declared in the register of interests.

When the Government published their manifesto, a good deal of attention was rightly given to their commitment to economic growth and wealth creation, two priorities that I heartily support. But their manifesto also included a less publicised but equally welcome pledge to increase the employment rate in the UK from 75% to 80%, bringing 2 million more people into the workforce. This is an important priority for both our economy and our society. Post pandemic we have seen a sharp rise in economic inactivity, with the Institute for Employment Studies finding that there are nearly 1 million fewer people in the workforce than pre Covid. I must give enormous credit to the journalist Fraser Nelson for highlighting that issue before many others.

While that pledge was, understandably, not referred to specifically in the gracious Speech, I hope it is not lost as a policy objective in this Parliament. I would be grateful if the Minister could confirm whether the employment rate pledge is still a commitment for this Parliament. I certainly hope it is, as increasing employment is an essential ingredient in securing economic growth and making full use of our talents as a country.

At the same time, we should all recognise that achieving that worthy objective is not solely down to the Government. As a noble Lords will know, it is businesses and entrepreneurs that provide 80% of the jobs in our economy. To achieve this objective, we need not only a pool of skilled and motivated prospective employees; there also need to be employers creating high-quality, well-paid jobs for people to fill.

The Jobs Foundation has spent the past year interviewing hundreds of local business leaders, employees and other local stakeholders to get a better understanding of the vital role businesses play in helping people escape poverty, unemployment and other forms of disadvantage by providing jobs. In Sheffield, for example, the Jobs Foundation looked at the Ascend programme led by Ben Woollard, which aims to end young adult



unemployment. By working closely with employers and fostering supportive peer groups, it is able to integrate unemployed young adults into the workforce and equip them with the essential experience they need to thrive and succeed. Similar work is done, famously, with ex-offenders by Timpson, and I am delighted that the noble Lord, Lord Timpson, has been appointed Prisons Minister. I congratulate him on his introduction to the House today.

Getting an extra 2 million people into work is not simply a statistic or a slogan. These jobs will come from individual business leaders making specific decisions to employ an extra person or take on an additional apprentice. So, at a macro level, the right business environment is needed to ensure that these 2 million jobs are provided. As Ministers flesh out the details of the employment rights Bill and the Skills England Bill, I hope they pay careful attention to the feedback from the business community. As they decide the measures to include in the Budget, I urge them to have in their mind's eye the business leader weighing up whether to take on that extra employee and the entrepreneur calculating whether to invest.

I am reminded of the famous Aesop's fable, "The Goose that Laid the Golden Eggs", which I recently read to my daughters for their bedtime story. As noble Lords will recall, in this story, the impatient and greedy countryman had the idea of getting all the golden eggs at once by killing the goose and cutting it open. But, when the deed was done, not a single golden egg did he find, and his precious goose was dead. The business community is our country's golden goose. So, as we get behind the mission to get 2 million more people into work, let us not forget the essential role played by business leaders and entrepreneurs to make this happen.

10.01 pm

**Lord Davies of Brixton (Lab):** I congratulate the noble Lord, Lord Petitgas, on his compelling maiden speech, and I congratulate my noble friend Lord Vallance on his. I welcome him to the House—it is good to have a fellow south London suburb represented. I also welcome the two Ministers to the Front Bench. I look forward to some constructive engagement in the implementation of Labour's policies as set out in the King's Speech.

I will pick up on the issues of mental health and pensions. First, we will have the long-overdue mental health Bill. The report on which it is based was written in 2017. I declare an interest in this context: my involvement with the Money and Mental Health Policy Institute, as set out in the register. This is the key issue. The two issues of financial well-being and mental health are inextricably linked. An earlier speaker referred to the productivity puzzle, and it is clear that good mental health improves productivity: it enables people to get to work and to be more effective when they are at work.

On reading the detailed notes on the mental health Bill, I was a little concerned that they say that, although the legislation will be passed, its measures will be implemented only when resources allow. That obviously must be true, but it is important to understand that creating and improving mental health has a massive effect on productivity in the economy as a whole.

Academic research has shown that it is self-funding: improve people's mental health and the economy will produce the growth that our policies place so much reliance on. I totally agree with my noble friend Lord Layard's comments on a similar point.

Then there is the promised pension schemes Bill. It is important to distinguish that we have a Bill coming shortly with some immediate measures to make the existing system work more effectively. I particularly welcome the proposal that the prime objective of these schemes should be to provide a pension and not be savings arrangements, and part of the Bill is going to require schemes to see that as their major role. I support most of the measures set out for the Bill but, as my noble friend Lord Chandos said earlier, the devil is in the detail, and we will have to look at them closely to see that they are producing the required objectives.

Following the pensions Bill is the pensions review, the first phase of which starts with a look at creating investment. This whole debate so far has been seen as being about a supply issue, supplying the funds that our economy needs to create the wealth. I think that it is also a use problem; we need to make sure that that money, if it is made available, is used effectively. The British economy has a long-running problem with using investment funds effectively, and I hope that the Government will take on board that issue.

The other concern that I have is that various people from the industry are quoted in the detailed notes produced in conjunction with the proposal for the first stage of the pensions review but there are no quotes from the users, from the people who require or receive pensions. I hope that my noble friend will be able to assure me that, in carrying out the first phase of the review, trade unions and bodies representing pensioners will be involved in that work.

10.07 pm

**Lord Freyberg (CB):** My Lords, it is a pleasure to welcome the two Ministers, the noble Lords, Lord Vallance and Lord Livermore, to their new roles. I congratulate the noble Lords, Lord Vallance and Lord Petitgas, on their excellent maiden speeches.

At this late hour, I shall focus on the Government's economic growth plans, with particular emphasis on science, technology and innovation. I warmly welcome the appointment of the noble Lord, Lord Vallance, a recognised scientific expert, as Minister for Science, Research and Innovation. Elevating experts to harness new and emerging technologies for national security, energy independence and economic growth is an encouraging move, as were the new Minister's remarks on the subject to the G7 Science and Technology Ministers' meeting in Bologna earlier this month.

I have often spoken in this House about the potential for data to transform the UK's research and innovation landscape, especially with regard to the value of the nation's health data. Therefore, I was heartened by the Minister's support for an NHS data trust and eagerly anticipate concrete measures in this area. I would, however, like to understand how the Minister plans to ensure that the economic benefits of a single front door, facilitating industry access to health data, will extend beyond the UK's "golden triangle" of Cambridge,

[LORD FREYBERG]

Oxford and London to other regions known for pioneering in this space and which could, in some important respects, be said to generate a disproportionate volume of the health data that industry might wish to utilise.

Over recent years, much has been said about trust in relation to responsible data access and use. Similarly, we often hear about traditional infrastructure developments aimed at boosting growth nationwide. However, little has been said about how the Government plan to ensure that all regions share in the benefits of data-driven growth. I wonder whether the Minister could comment on that in his reply.

I also welcome proposals to introduce longer-term funding settlements for research tied to key pillars of the Government's industrial strategy, including the life sciences. Private investment in life sciences R&D contributes £5 billion annually, accounting for approximately 50% of total investment, so measures encouraging confidence and stability post-Brexit are crucial to help steady the ship of state. Any measures designed to ensure that public investment benefits regions beyond "the usual suspects", such as the Government's renewed emphasis on devolution, are, once again, to be encouraged.

The new Minister's pro-innovation approach to regulation seeks to balance known knowns with unknown knowns, a hallmark of scientific exploration, particularly regarding artificial intelligence. His intentions are clearly reflected in the Government's proposals to consolidate relevant regulators. I look forward to engaging with these detailed proposals as they emerge. However, like the noble Lord, Lord Clement-Jones, the noble Baronesses, Lady Bonham-Carter and Lady Stowell, and others, I seek confirmation of how the Government intend to protect the rights of our creative industries, which significantly contribute to the UK's GDP. Concerns persist about generative AI companies using creative works without consent or remuneration. Overly restrictive copyright laws can hinder innovation, while too lenient laws can fail to provide adequate incentives for creation. Effective copyright policy should aim to strike a balance that protects creators' rights while fostering an environment conducive to innovation. I hope the Minister will look to find a middle ground on this.

Additionally, I am interested in how traditional economic growth policies, such as freeports, could be augmented to boost digital exports through innovative incentives.

Finally, I wholeheartedly support the consolidation of the Government's digital functions under the Department for Science, Innovation and Technology, DSIT, to unify efforts in the digital transformation of public services. The proposal to establish a national data library is particularly intriguing, given the extensive data currently collected and curated by local government and integrated care systems. Significant investment in data standardisation, collection and analysis is urgently needed to transform the productivity of social care, our least digitised and, in many respects, most left-behind sector. It is crucial that the terms of reference for any relevant reviews and commissions explicitly address the role of digital transformation in the future of care, including workforce development plans.

10.12 pm

**Baroness Thornton (Lab):** My Lords, first, I welcome my new noble friend Lord Vallance to his place and congratulate him on his brilliant maiden speech. I also welcome my noble friend Lord Livermore to his job. I just say to my noble friend Lord Vallance how important his work during the pandemic was to this then Labour health spokesperson trying to hold the then Government to account.

As the last Back-Bench speaker in this debate on the gracious Speech, I know that it is often the case that everything has been said at least three times before and is going to be said again. It is possible, however, that my contribution, which concerns the place of co-operative enterprise, social enterprise, mutual enterprise, civil society in general and impact economy solutions in the task we have set ourselves of national renewal and fulfilling the missions on which our election was fought, might not have been said yet.

I am a Labour and Co-operative Member of your Lordships' House; I am the founding chair of Social Enterprise UK and now its patron; I founded the social enterprise all-party group in 2001; and I am chair of the co-operative innovation trust and an associate director of E3M, which brings together the leaders of social businesses who contract to provide public services. The social enterprise sector has 131,000 social businesses, employs 2.3 million people and has a turnover of over £78 billion.

I welcomed with joy that, with the Labour Party, the Co-operative Party shares a manifesto commitment to double the size of the co-operative and financial and mutual sector, which includes, in my view, social enterprises and community business. It is a vital ambition to securing economic growth and ensuring that the benefits of co-operatives and social enterprises can be felt more widely across the economy.

I have a series of questions for my noble friend the Minister but, as I am the last speaker, I do not expect specific answers right now. However, it is important for the stakeholders that we have answers to these questions. The first is about the machinery of government, which concerns how we can deliver this. At present, the responsibility for social enterprise sits in the DCMS, alongside civil society—a result of the vagaries of the last Government's neglect and lack of interest. If there is to be a drive to promote SMEs and businesses of all kinds, surely businesses which are established for a social purpose and those which are contracting to deliver public services—some very substantial ones indeed—need to be the responsibility of the Department for Business and Trade. Is that possible?

Indeed, the whole of civil society, much of which is delivering services and supporting communities, is part of the DCMS. To maximise its essential contribution to our national renewal, surely responsibility for it needs to be across government. Which Minister will be responsible, and how will the Government ensure cross-governmental delivery, given that no department or officials have responsibility for this at the moment?

Linked to the place of civil society is the potential of impact investing. As we face constrained public spending and pressing social challenges, we must look to innovative solutions. The impact economy—a coalition

of philanthropists, impact investors and purpose-driven businesses—offers a way forward; it has the potential to contribute billions to our economy.

The Community Match Challenge, launched during the Covid years, successfully matched £85 million in government grants with funds from philanthropists and foundations, and supported charities and community organisations across the country. By providing crucial funding to community development finance institutions, the community investment enterprise fund is fostering economic growth and job creation where it is most needed. How can these initiatives, which are about boosting growth, be scaled up? Are we thinking of setting up an office for impact investment or a strategy?

Finally, the *Start-Up, Scale-Up* report addresses a plan for high growth and the issue of making public procurement work for start-ups and small businesses. It recommends that we create a procurement council of experts to review best practice and identify areas of improvement, and to review the barriers to better pre-market engagement. This is a very relevant matter to mutual social enterprises and the co-operative provision of public services. How will this link to the support of a proposed social values council? I am happy to say that a letter in the Library will suffice.

10.17 pm

**Baroness Kramer (LD):** My Lords, I join the welcome to the noble Lord, Lord Vallance. He has earned the trust of the British people and, frankly, there are not many of us in this House or the other place who could make that claim. We welcome him and his excellent speech. I also congratulate the noble Lord, Lord Livermore. In economic debates, we have become so used to the noble Lord and the excellent noble Baroness, Lady Vere, being our two final speakers, but it will no longer be in the same order. I welcome him to his ministerial post.

To the noble Lord, Lord Petitgas, I say that he should not worry about having French origins; we are multicultural here. There are many of us who can show him ways to avoid the Royal Gallery and the paintings of Waterloo and Trafalgar—we would be glad to do it.

This has been an extraordinary debate. In using the term “consensus”, the noble Viscount, Lord Goschen, expressed a lot of the common ideas that were being shared across the House. The noble Lord, Lord Berkeley, talked about “fresh air” and managed to exactly capture the feeling I have had that there is a sense that, no matter which Bench noble Lords are sitting on, we are moving into a new time—a much more positive time, I hope.

As the first of the winders, I begin by saying that I wish the new Government well, but we face very challenging times, and the noble Lord, Lord Birt, basically took us through the situation that we face. The King's Speech outlined a series of actions, and I very much hope that these will shift us back on to the front foot in growth. But the questions will arise: what is the detail, and will these measures be sufficient?

My colleagues on these Benches have outlined a series of steps that we think are critical; let me emphasise just a couple of them. The noble Lord, Lord Fox, talked very firmly about the need for an industrial

strategy that provides long-term certainty, and that was shared by noble Lords from across this House. The noble Viscount, Lord Stansgate, and the noble Lords, Lord McNicol, Lord Mair and Lord Gadhia, expressed similar points around the importance of a long-term and certain industrial strategy.

The AI revolution needs a strategy, but we also need to recognise its extraordinary complexity. That will not be an easy process. We heard about that from the noble Lords, Lord Clement-Jones, Lord Holmes and Lord Fairfax, the noble Baroness, Lady Kidron, and the noble Viscount, Lord Colville—and I have probably missed a couple of names along the way. We heard about the significance of infrastructure from the noble Lords, Lord Liddle and Lord Fox, but also very specifically on the transport agenda from the noble Lords, Lord McLoughlin, Lord Bradshaw and Lord Berkeley, and the noble Baroness, Lady Randerson. That is all essential to our discussion.

I join with the noble Lord, Lord Palmer, and the noble Baroness, Lady Benjamin, in stressing the importance of ending the two-child benefit cap. It is often seen just as poverty alleviation and as such perhaps not significant in a growth debate, but with that kind of pressure on families, the chance of getting them to turn and focus on the future with hope and energy is very low. We empower people when we allow them to be in the appropriate economic setting, and the deprivation of children is not consistent with that.

We have to rebuild our workforce—many have said that—to end the crisis and the long-term waiting list in the NHS. That also requires fixing the care system. On that I join very much with the noble Lord, Lord Forsyth; I am so glad that we have found something in common in this Speech. My greatest disappointment with the King's Speech was the lack of focus on social care, and others raised this issue in the course of their various speeches.

We also know that for the workforce we have to reform our apprenticeship schemes to give people of all ages real opportunity. Even with those steps, I agree with the noble Lord, Lord Fox, that our clear shortage of workforce and our high dependency ratio mean that, at least for the immediate future, we will need skills from abroad. That means a proper sector-based migration strategy.

We all share the aims of growth and prosperity, but there is a choice: do we do this from the top down, or build from the roots up? My party argues very strongly that community should be engaged in leading development. I loved the words used by the noble Lord, Lord Heseltine, “locally designed”; the words of the noble Lord, Lord Best, focusing—again—very much on community and engagement; and those of my colleagues. In places such as Eastleigh and the London Borough of Kingston, community-led development, including social and genuinely affordable housing, has gone at great pace with strong local support. By contrast, where projects are developer-led, the plans submitted are so often quite frankly abusive. It is no wonder that projects end up in disputes for years; we need locally led development to build not just housing but our commercial services and manufacturing backbone. Community engagement is key.



[BARONESS KRAMER]

Small businesses are the backbone of our economy and have a long list of needs, including prompt payment. I am mortified that for so many, access to finance remains utterly inadequate. The noble Lord, Lord Sarfraz, addressed this with the AIM market, which has been in decline, but I want to go to something even more basic. Challenger banks, fintechs and alternative lenders, even allied with open banking, have not solved the problem of loan funding for small businesses. We have an absolute valley of death in this area.

Why are we not aggressively building a layer of community development finance institutions across the UK? This is the mechanism that built up small business in the United States and provided resilience through two major recessions and other crises. The CDFI sector in the US has \$452 billion in assets and is absolutely key to the US economy's resilience. We need a community reinvestment Act here, like the one that created that sector in the US. Will the Government bring it forward?

Let me pick up some of the words on small businesses and exports. I think our small businesses are desperate to reclaim a place in the European supply chain. The number that have dropped out of exporting altogether post Brexit and because of the deal that was framed is shocking. We will press the Government to negotiate away red tape and to create the potential for us to rejoin the single market, even if not in this parliamentary term. At the very least, will the Government respond to the needs of the creative industries and enable proper travel and functioning for the creative industries across Europe?

Lastly, on small businesses, I want to address the issue of business rates. No one has mentioned it, but few steps would more rapidly drive the revival of town centres and communities across the country than scrapping the current structure of business rates and replacing them with a much fairer levy on commercial property owners: a form of land value tax.

I am close to the end of my speech because I am out of time, but we on these Benches are not out of ideas. Your Lordships heard the noble Baroness, Lady Bowles, talking about procurement, which is critical, and the noble Lord, Lord Lee, on the stock market and investing in financial education. The noble Baroness, Lady Bonham-Carter, and the noble Lord, Lord Berkeley, talked about the same issue, as did others, on the significance of the creative industries, and the noble Lords, Lord Morse and Lord Davies of Brixton, the noble Viscount, Lord Chandos, and the noble Baroness, Lady Drake, addressed the whole area of pensions and providing finance into that investment in the future.

However, I want to put down one marker on that issue: the protection of people with small pots of investment. Putting their money into illiquid, high-risk investment without any guarantees and protection leaves them very exposed. Therefore, be careful as you structure this change in the way in which pension investment is made, and remember that there is a responsibility—I think I am echoing the noble Lord, Lord Davies, here—to the people whose pensions these are: to the actual savers and users.

There is so much more to say, but I am coming to the end of my time. I thank your Lordships for the opportunity to wind. I hope that this will be an exciting portfolio and that we will all meet again very often to discuss these issues.

10.26 pm

**Baroness Vere of Norbiton (Con):** My Lords, as the penultimate speaker, I am well aware that I am all that stands between your Lordships' House and the person noble Lords really want to hear from: the new Minister, the noble Lord, Lord Livermore. I add my welcome to those of so many others as I pass the torch, and I wish him the very best of luck for the future.

I also welcome the noble Lord, Lord Vallance, and like many will watch with interest his transition to the political side of government. It ain't easy. But he brings great expertise and experience, and I am sure he will make the transition with aplomb. Last, but certainly not least, I welcome the wise words from my noble friend Lord Petitgas. He brings a deep understanding of the private sector to your Lordships' House and experience of working at the very highest levels of government. We are enormously fortunate to have him on the Opposition Benches.

Labour put economic growth at the heart of its election campaign as a means of funding many of its promises, alongside a siren call for change. The sheer weight of legislation signalled in the gracious Speech certainly signals significant changes to come. But all change, good or bad, creates disruption and adds friction, and disruption and friction will inevitably be a drag on economic growth.

Change needs to be done carefully, following consultation, and preferably signalled far in advance. So I will be looking carefully at two things: have the new Government consulted stakeholders sufficiently before tabling primary or secondary legislation in your Lordships' House, and have they considered the impact of proposed changes on economic growth and signalled any trade-offs publicly?

In addition, the last Conservative Government prioritised economic growth too; it is nothing new. Despite the UK economy being battered by a global pandemic and sideswiped by Putin-boosted energy costs, our actions created an environment in which the economy could recover, and recover it has, much faster than almost all main forecasters predicted.

The previous Government prioritised reducing the tax burden on businesses and working people, reforming the welfare system, increasing the productivity of the state, which has still not recovered to pre-pandemic levels—we must do better—and removing excessive regulation. Looking at Labour's plans, there are hints of a different future for the UK economy: a more interventionist and managerial approach from government, which will inevitably lead to greater regulation and far more regulatory bodies, with the real possibility of "too much, too quickly". This approach runs the risk of stifling innovation and raising the costs of doing business, particularly for those agile, high-growth businesses that this country is so good at nurturing.

The new Government's response may be that they are forced to regulate as they are unable to support the change they want with more investment. To back this up, the new Labour Government have spent the weekend out on the airwaves telling us that there is little public money for investment, that the economy is dire, and that the public finances are apparently way worse than they were expecting.

Let us pause very briefly on public spending. The main estimates, which will come before the Commons later this week, seek to approve over £1,000 billion of government spending for this financial year. This is the inheritance the new Government will have custody over—£1,000 billion a year. It is now their choice how they do their priorities. Will they stop spending where it is no longer value for money? Will they identify efficiencies to improve productivity? It is not the case that any spending must always be additive. Sometimes it is okay to look back at the £1,000 billion we already spent every single year.

On the public finances, according to the director of the independent Institute for Fiscal Studies the books are “wide open” and “fully transparent”. Furthermore, Labour has had access to government departments since well before the election, so it is simply not credible or desirable for a new Government to say, “Things are much worse than we thought” and then seek to renege on promises made to the British people.

I have been slightly sidetracked, because I will briefly go back to the gracious Speech. What is it therein that will encourage economic growth? Much has been made of the new deal for working people, the brainchild of the Deputy Prime Minister—but, slightly confusingly, recently co-opted or adopted by the new Chancellor, and now we understand it has been taken up by the Business Secretary. Can the Minister confirm which department is leading on the legislation? The Trades Union Congress has high expectations for this Bill, calling it the

“biggest upgrade to workers' rights in a generation”.

For my part, I am not sure quite what to expect, but I have not had the ear of the new Labour Government. However, it was helpful for the noble Lord, Lord Woodley, to add a few upgrades that I had not heard of before, so I am looking forward to more detail about this. Perhaps the Minister could provide some when he winds up.

Whatever the final text of the new deal looks like, I hope that the Government will have completed extensive consultation with businesses and their representatives, the third sector and non-unionised workers—alongside the trade unions, of course. I understand that the Government have committed to introducing the new deal legislation within 100 days of being in office. That is by 13 October. That does not leave much time to consult, consider carefully the responses, and adjust the legal text and associated documents accordingly. Then again, I also hear that the Labour Government are committed to delivering the new deal “in full”, so perhaps the consultation bit will be put to one side. Can the Minister shed any light?

It is possible that these proposals will serve primarily to make businesses, the public sector and the third sector more cautious about who they hire and when,

causing downward pressure on employment. Does the Minister agree that it is important that the Government recognise publicly the trade-offs and the consequent drag to economic growth and public sector productivity?

So my quest for a silver bullet for economic growth in gracious Speech continues; I have not found it here. Perhaps a better catalyst for economic growth might be the industrial strategy council trailed in the gracious Speech. I read with interest the “mission-orientated industrial strategy” published in September last year: clean power by 2030, data for public good, caring for the future, and building a more resilient economy. Many of these are intangible and hard to grasp. As my children would say to me, “Mum, these are just vibes”.

What is striking is that there is nothing about economic growth in these missions. Reading the fine print, we are told that growth will result from a “spillover” of innovation from meeting these vibey missions. This is probably not enough to get the OBR, or anyone else, to upgrade their growth forecasts. So can the Minister tell me a bit more about this council? I understand that there will be a group of full-time experts on the council. Have these people been identified, and will they work full time on government pay scales?

The primary remit of the council will be to assess the effectiveness of the Government's industrial strategy and policy implementation. When will the Government publish an industrial strategy and the detailed policy framework for the council's scrutiny, or will the council first work on the vibes created by the missions? Given the above, I am not wholly convinced that the council will have much of an impact on economic growth in the short to medium term, so my search continues.

A national wealth fund? That sounds like something that will generate economic growth, except that it seems to be little more than a rebrand of existing government structures. Many noble Lords have talked about what will happen to the UK Investment Bank, and I am not entirely sure about the future of the British Business Bank, but we do know that the Chancellor has suddenly found £7.3 billion to invest in this, despite public finances being unexpectedly poor. She did this without a spending review, without a Budget and with no expert external validation from the OBR—go figure.

But enough of this doomsterism; let us do some boosterism. There are two areas where we can absolutely work together. The first is AI. If wisely implemented, it can offer huge gains in both the private and public sectors. We will watch with great interest and support where we can. We want to retain and build on our global leadership in AI, we want to make sure that we build AI safely and, of course, we want to ensure that it is deployed in a trustworthy fashion. The second area is universities. There is a huge amount that we can do to encourage spinouts from universities.

To conclude, the contents of the gracious Speech expose the disconnect in the Government's thinking, but there are bits of light that we can certainly take forward. To her credit, the new Chancellor did say that she did not expect to turn things around straight away. In the meantime, I am pleased that the last Conservative Government took a number of key decisions that will boost growth, and I expect us to get full credit for that growth, for a little while at least.

**Lord Fox (LD):** Do not hold your breath.

10.36 pm

**The Financial Secretary to the Treasury (Lord Livermore) (Lab):** My Lords, I thank His Majesty for his gracious Speech and all noble Lords for their contributions today. It is the greatest honour and privilege to be closing the debate this evening. Growing up where I did, I was the only pupil in my school year to go to university and I never once imagined that I would be standing at this Dispatch Box in your Lordships' House. I will never forget that, above all else, politics should be driven by a sense of service to our country, and I will always seek to work collaboratively with all noble Lords, aware at all times of how much there is to learn from the collective wisdom of this House.

I am grateful to all noble Lords for their warm words, and I thank them for their continued guidance and friendship. I pay tribute to the noble Baroness, Lady Vere, whom I have shadowed for the past year. We may rarely have agreed, but I always greatly admired her command of her brief and greatly enjoyed working with her. I am pleased that she is on the Front Bench this evening and that her expertise is still available to your Lordships' House.

The noble Baroness will know what a huge privilege it is to work in the Treasury, a truly formidable institution. I am delighted to have returned there, some 17 years after I left. I am particularly proud to have returned under the leadership of the first-ever female Chancellor of the Exchequer, who after 800 years has broken one of the remaining glass ceilings in government. It is long overdue.

I join other noble Lords in welcoming the noble Lord, Lord Petitgas, to your Lordships' House and congratulate him on his maiden speech. His business and investment experience will be particularly relevant to the new Government's growth agenda, and I look forward to his contributions in many subsequent debates.

It is also an enormous privilege to welcome my noble friend Lord Vallance of Balham to your Lordships' House and to have had the good fortune to be present on the Front Bench for his maiden speech today. There is no doubt that my noble friend's detailed knowledge and strategic guidance was pivotal during the Covid pandemic, saving countless lives as a result. He brings a wealth of experience and expertise to this Chamber. I know that he is very grateful for all the kind words that have been expressed to him during today's debate.

Our manifesto made it clear that sustained economic growth is the only route to improving the prosperity of our country, raising living standards and sustainably funding public services. That is why it is our central economic mission.

As my noble friend Lord Liddle observed, several noble Lords spoke in positive terms about the economic inheritance that this Government face, including the noble Lords, Lord Callanan and Lord Bridges of Headley, and the noble Baronesses, Lady Noakes and Lady Vere. On her first day in the Treasury, the Chancellor received new economic analysis from Treasury officials on the lost growth of the past 14 years. This analysis shows that, had the UK economy grown at the average

rate of other OECD economies, it would now be over £140 billion larger. This could have brought in an additional £58 billion in tax revenues in the last year alone—money that could have revitalised our schools, hospitals and other public services.

Instead, as my noble friend Lord Wood of Anfield pointed out, public services have been pushed to breaking point. There is sewage in our rivers and our schools are crumbling. The national debt has more than doubled. Taxes are at a 70-year high, and, according to the OBR's March forecast, this will be the first Parliament on record where living standards were lower at the end than at the beginning.

It is true to say that many of the crises which we faced during this time were global in origin, but other countries faced those same shocks. The reason we in the UK were hit harder than comparative countries can be explained only by the choices made here at home: austerity which choked off investment, a rushed and ill-conceived Brexit deal and the disastrous mini-Budget, which crashed the economy.

The general election was an opportunity for the British people finally to pass judgment on the economic record of the past 14 years, and they voted overwhelmingly for change. We have begun the work necessary to deliver on that mandate—to fix the foundations of the economy, rebuild Britain and make every part of our country better off.

Our approach to growth rests on three pillars: stability, investment and reform. I turn first to stability, which must begin with respect for our economic institutions. For much of our history the strength of our economic institutions has bestowed credibility in international markets and underpinned our economic success. Politicians who seek to undermine those strengths, as we saw in the last Parliament, play a dangerous game. Under this Government, the Bank of England's Monetary Policy Committee will continue to have operational independence in the pursuit of its primary objective of price stability, with a 2% inflation target.

Some noble Lords, including the noble Lord, Lord Forsyth, and the noble Baroness, Lady Noakes, criticised the Government's plans for the Office for Budget Responsibility. The OBR has been praised by the OECD as a

"model independent fiscal institution".

We will strengthen it for a very real reason, so that there can never again be a repeat of the disastrous mini-Budget which crashed the economy and increased average mortgage payments by some £300 a month. The new Budget responsibility Bill will deliver on the promised fiscal lock. This will ensure that every fiscal event making significant changes to taxation or spending will be subject to an independent assessment by the OBR.

In answer to my noble friend Lord Eatwell on how the fiscal rules will treat various spending scenarios, if he does not mind I will write to him to ensure that I address his questions correctly.

The noble Lord, Lord O'Neill of Gatley, proposed a revised fiscal rule. I agree with him that we cannot continue with the short-termist approach that disregards the importance of public investment, but neither can we ignore the pressing need to rebuild the UK's public



finances. We must maintain an iron grip on the public finances; if we do not, as we saw in the last Parliament, it is families that are forced to pick up the bill. The manifesto commitments that this Government were elected on must be kept to. They include robust fiscal rules, and we will keep to our commitments on tax, with no increase in national insurance or in the basic, higher or additional rates of income tax or VAT. Corporation tax will be capped at its current rate for the duration of the Parliament. If our international competitiveness is threatened, we will act.

On spending, the Chancellor has instructed Treasury officials to provide an assessment of the state of the spending inheritance, and she will present this to Parliament before the Summer Recess. My noble friend Lord Layard asked about the Green Book being used in the spending review, and the answer to that is yes.

The noble Baroness, Lady Bowles, raised the question of investment trusts. The investment trust sector plays a significant role in the UK economy, making up over 30% of the FTSE 250, including infrastructure projects and renewables that can help support the Government's growth agenda. I continue to believe that the noble Baroness makes a persuasive case for action, and the Government will carefully consider all options available to address the issues she raises. I will be happy to meet her to discuss her Private Member's Bill in further detail. I am grateful to my noble friend Lady Thornton for saying I can write to her, which I will.

In answer to the suggestion from the noble Lord, Lord Lee of Trafford, regarding NatWest shares, I am afraid I cannot comment on the approach to specific sales of the shareholding, which is commercially and market sensitive. I am grateful for the support of my noble friends Lady Drake, Lord Wood of Anfield and Lord Drayson for their support for the pensions Bill launched by the Chancellor, which was also discussed by the noble Lord, Lord Morse. In addition, the pension schemes Bill will support more than 15 million people who save in private sector pension schemes get better outcomes from their pension assets and support the Government's mission to deliver growth.

I now turn to how we will unlock private investment in the infrastructure that our economy desperately needs. Britain today is the only G7 country with investment below 20% of GDP, which holds back productivity, as observed by the noble Lords, Lord Bridges of Headley and Lord Birt, and hinders us in the competition for the industries of the future. I agree with the noble Lord, Lord Sherbourne of Didsbury, that it is not in the Government's gift alone to reinvigorate these faltering levels of investment; the lifeblood of economic growth is business investment. The right reverend Prelate the Bishop of Newcastle spoke of partnership, and I agree with her. A strategic state does have a crucial role to play in partnership with the private sector. That partnership will be embodied, as my noble friends Lord McNicol of West Kilbride and Lord Chandos said, in a modern industrial strategy and a new national wealth fund. A modern industrial strategy—which, to reassure the noble Baroness, Lady Bonham-Carter, and the noble Lord, Lord Berkeley of Knighton, will include the creative industries—enables us to work

with businesses to identify those areas where Britain enjoys, or has the potential to develop, comparative advantage, but where there are currently market failures or other barriers that hold back investment.

The noble Lord, Lord Mair, spoke in favour of an industrial strategy council, which we will establish to ensure that industrial strategy policy is informed by a broad and high-quality evidence base and a diverse range of perspectives. To respond in part to the question from the noble Lord, Lord Kakkar, last week the Health Secretary committed to supporting the Government's growth mission by making the UK a life sciences and medical tech powerhouse. To respond to the noble Lord, Lord Wigley, the Government are committed to securing a competitive and sustainable future for the UK steel industry, and will remain in talks with Tata Steel.

The Chancellor has already held a meeting of the national wealth fund task force to establish the fund, and the national wealth fund Bill will put it on a permanent statutory footing, supported by an injection of £7.3 billion of capital. The new national wealth fund will work alongside business to unlock billions of pounds in private sector investment in the industries of the future. In answer to the noble Lord, Lord Fox, the fund will bring together the UK's currently fragmented landscape of public finance institutions, including the UK Infrastructure Bank, which, to reassure the noble Lord, Lord Vaux of Harrowden, is already achieving a 3:1 ratio, crowding in additional investment. I say to the noble Baroness, Lady Noakes, that it will continue to operate according to the additionality principle. This will deliver the greater clarity and certainty that firms need to invest. Further details will be set out ahead of the Government's Global Investment Summit later in the year.

My noble friend Lord Wood of Anfield asked about the risk appetite of the national wealth fund. The UK Infrastructure Bank already engages in concessional activity, and we will keep under review whether it requires any additional levers to support the national wealth fund's objectives. I completely agree with my noble friend Lord Drayson's focus on scale-up capital and that we need as a country to improve in this area.

The Great British Energy Bill further supports the Government's growth mission. It delivers on our manifesto commitment to establish a clean power company designed to boost energy security, decarbonise the power sector by 2030 and create new skilled jobs. I agree strongly with the speeches of my noble friends Lady Young of Old Scone and Lord Grantchester on these points.

We have also immediately honoured our manifesto commitment to end the ban on new onshore wind in England. In answer to the question from the noble Lord, Lord Wigley, I say that the Secretary of State for Energy and Net Zero has said he will examine the current plans for SMRs and set out more detail in due course.

Alongside investment must come reform. I will start with the planning system, the single greatest obstacle to our economic success. Our planning system is a barrier to opportunity, to growth and to home

[LORD LIVERMORE]

ownership. It leaves far too many important projects tied up in years of red tape before shovels ever get into the ground.

On our first full day in the Treasury, the Chancellor announced immediate action to begin to fix the planning system and help deliver our mission to kick-start economic growth. The planning and infrastructure Bill is part of a once-in-a-generation overhaul of our planning system to deliver 1.5 million extra homes and the high-quality infrastructure fundamental to our ambitions for decarbonisation and—as mentioned by my noble friend Lord Stansgate—growth. To grow our economy, we cannot rely on just a few pockets of the country to drive growth and productivity. I agree with the noble Lords, Lord Heseltine and Lord Monks, that too many areas have been held back because decisions are taken in Westminster, rather than by local leaders who understand local ambitions and strengths. We must push power out of Westminster and empower local leaders to deliver for their communities, through local growth plans and the English devolution Bill.

I agree with the noble Lord, Lord Birt, that our skills system also needs reform; it is one of the most persistent policy failures in the UK. We must invest in our education system to build the workforce of the future. My noble friend Lord Layard spoke passionately about his proposal for an apprenticeship guarantee, which I can assure him will definitely receive further and careful consideration. As a first step, we will replace the apprenticeship levy with a new growth and skills levy.

The current skills system is not delivering the STEM and engineering skills our country needs to strengthen the whole skills system. The Skills England Bill will bring forward a comprehensive strategy for post-16 education to ensure that we can address skills shortages, support economic growth and deliver our industrial strategy. In answer to the noble Lord, Lord Fox, I say that it will start work immediately on an assessment of skills needs.

However, addressing the skills gap is a necessary but not sufficient requirement for economic success. As my noble friend Lady O'Grady of Upper Holloway said, and I say in answer to the noble Lord, Lord Frost, there is now a wealth of evidence that greater in-work security, better pay and more autonomy in the workplace have substantial economic benefits. A more secure and productive workforce is good for business and for working people, because each depends on the success of the other.

This understanding lies at the heart of the employment rights Bill, which the Government will introduce within the first 100 days of coming to power. It will introduce a new deal for working people to ban exploitative practices and enhance employment rights. The plan to make work pay commits to delivering a genuine living wage, ending exploitative zero-hours contracts, ending fire and rehire, and introducing basic rights from day one. We will continue to work closely with business as we deliver and implement these policies. In answer to the noble Lord, Lord Elliott, I say that we remain committed to our manifesto's long-term ambition of an 80% employment rate.

The plan to make work pay, alongside reforms to the welfare system, will help to reduce the huge levels of economic inactivity inherited from the last Government—mentioned by my noble friend Lord Layard, the noble Lords, Lord Birt and Lord Wigley, and the noble Baroness, Lady Blackwood of North Oxford—with 700,000 more people economically inactive since the pandemic. I agree with the noble Lords, Lord Holmes of Richmond, Lord Touhig and Lord Shinkwin, on the disability employment gap.

The plan to make work pay also forms a major plank of our child poverty strategy. The last Labour Government reduced child poverty by 600,000, while it increased by 700,000 over the past 14 years, so tackling child poverty is a major priority for this Government. The Secretaries of State for Work and Pensions and for Education will co-chair a new ministerial task force to drive cross-government action on child poverty, starting with developing an ambitious new strategy in line with the Government's opportunity mission, for which I welcome the support of the noble Baroness, Lady Benjamin. This will include delivering the measures in our manifesto to support children and families, including free breakfast clubs in every primary school, expanding childcare, stronger protection for families who rent privately, and action to reduce fuel poverty. Alongside this, we will review universal credit so that it makes work pay and tackles poverty.

To answer a very specific question from the noble Lord, Lord Palmer of Childs Hill, I am told there are no plans to digitise the NCC1 form. He and the noble Lords, Lord Wigley and Lord Sikka, and the noble Baronesses, Lady Benjamin and Lady Kramer, asked about ending the two-child limit, which was not in our manifesto. As I have said, we will develop an ambitious child poverty strategy, but we will also adhere to the manifesto this Government were elected on, line 1 of which says:

"Every commitment a Labour government makes will be based on sound money and economic stability. This is a non-negotiable principle".

The manifesto commitments we made will be delivered on, and we will not make promises we cannot afford or keep.

I welcome the contribution of the noble Baroness, Lady Kidron, and her determination to make children's online safety a priority. I am pleased she has welcomed the Government's commitment so far. There is clearly more to be done to make children safe, and my noble friend Lady Jones has said that she will be happy to meet the cross-party Lords tech team to follow this up.

The gracious Speech also set out reforms to the rail sector, contained in two railway Bills, one of which establishes Great British Railways. The noble Lord, Lord Sikka, asked about those companies whose contracts do not expire in the next five years. Their contracts have clauses that can be triggered so that they expire in that timeframe. In answer to the noble Lord, Lord Fox, the Government are not reversing the decision to cancel the second phase of HS2, but we are committed to addressing key transport connectivity issues across the country that are constraining our growth ambitions. To answer the noble Lord, Lord Bradshaw, individual projects will be considered through the spending review,

with a particular emphasis given to those that drive growth. In answer to the right reverend Prelate the Bishop of Leeds, the Government are committed to improving rail connectivity across the north. Electrification and infrastructure modernisation will provide environmental benefits and support economic growth and job creation. Key to this will be completing delivery of ongoing major rail programmes—notably the trans-Pennine route upgrade.

A reset is also needed in our trading relationships, as many noble Lords spoke about this evening. The rushed and ill-conceived Brexit deal has created trade barriers equivalent to a 13% increase in tariffs for our manufacturing sector, and a 21% increase in tariffs for our services sector, as mentioned by the noble Lord, Lord Inglewood. As a result, the OBR has found that long-run GDP is expected to be 4% lower. The European Union is one of our strongest and closest partners and the Government are committed to resetting our relationship—to strengthen ties, reinforce our steadfast commitment to security, and tackle barriers to trade.

In answer to the noble Baroness, Lady Stowell of Beeston, we will work closely with the EU but proceed in a different way from it on AI. In answer to the noble Lord, Lord Holmes of Richmond, the Government will pursue highly targeted legislation to protect innovation.

We must, though, tackle the red tape currently holding our exporters back. The noble Lord, Lord Kakkar, asked about visas. We will begin by pursuing our manifesto commitments on a new veterinary agreement, an agreement on touring visas and the mutual recognition of professional qualifications.

The gracious Speech begins the work necessary to deliver on our mandate to fix the foundations of our economy, to rebuild Britain, and to make every part of our country better off. Our approach is founded on the pillars of stability, investment and reform: stability, so we never again see a repeat of the disastrous mini-Budget and the damage it did to family finances; investment, through partnership between a strategic state and enterprising business; and reform, to confront and overcome the barriers to success that have, for too long, held our country back.

We are under no illusions about the scale of the challenge we face. We know it cannot be turned around overnight. There is much more to do, many more tough decisions to be taken, but the work towards a decade of national renewal has begun.

*Debate adjourned until tomorrow.*

*House adjourned at 10.59 pm.*