

Business and Trade Committee

Oral evidence: The work of the Department for Business and Trade, HC 1837

Tuesday 19 September 2023

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Members present: Mark Pawsey (Chair); Jonathan Gullis; Andy McDonald; Charlotte Nichols.

Questions 1 – 102

Witnesses

I: Rt Hon Kemi Badenoch MP, Secretary of State for Business and Trade; David Bickerton, Director General, Business Group, Department for Business and Trade.

Examination of witnesses

Rt Hon Kemi Badenoch MP and David Bickerton.

Q1 Chair: Good afternoon, Secretary of State, and welcome to this meeting of the Business and Trade Select Committee. We are very pleased to have you in front of us today. Secretary of State, this is your very first session as Secretary of State for the Department for Business and Trade, which was formed a matter of nine months or so ago, and I wonder if you can start by giving us an outline of how work in the Department has gone since it was formed.

Kemi Badenoch: Thank you very much. It is technically my second session; I did one with the International Trade Committee, who asked about how business and trade will be interacting and how I was finding the machinery of government change.

We have achieved quite a lot since February. The purpose of the change was to provide one specific Department that was looking at business end to end, with responsibility for some specific sector policy areas, but just being the gateway for business into Government, which had ended up being split between BEIS and Trade, and perhaps the Treasury as well.

In terms of what we have been able to achieve over what is coming up to nine months, we are delivering that element of the Prime Minister's five priorities for economic growth. We are boosting exports. Since I took on the role, we have become the fifth exporter of goods and services, up from sixth. We secured our biggest trade deal ever since we left the EU. We are removing endless trade barriers and also securing a lot of investment into the UK; we are the top destination for foreign direct investment.

On the business side, we have had so many individual bits of good news for the auto sector. We secured a £4 billion gigafactory, which will create about 4,000 jobs. That was a Tata investment. Just last week, I announced the £600 million investment in electric vehicles from BMW, and another one with Stellantis in Ellesmere Port. There is a lot of good news around the auto sector. You will, of course, have heard the announcement we made late last week on steel and turning the Port Talbot steelworks around.

We have a very good news story to tell about how we are working for the economy, delivering across the board and making sure that business has its voice in Government and is being heard.

Q2 Chair: You spoke about the role of the Department in securing investment, and you used the term "gateway". One of the bits of evidence that we have received is that, for those seeking to invest in the UK, there is a very broad range of people who they need to talk to; in some cases, there may be a regional assembly or a trade council. How are we doing on getting a single point of contact for those who are



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seeking to invest here?

Kemi Badenoch: That is one of the advantages that the merger brings. The old DIT had lots of trade representatives across the UK, who were bringing in intel about investable propositions for specific regions and helping with the levelling-up agenda. They had quite a lot of links with local government in those areas. Bringing the business side of things in meant that we were duplicating in some areas, and we have managed to move that around.

We are the single point. If you have an issue, you may know exactly who in DCMS or the Treasury to go to, but what I have told the Department is that it does not make sense for people to keep going to multiple Government Departments when we can be the reception, or the concierge service, and help them through a planning application with DLUHC or looking at intellectual property with DSIT, or if they have questions around tax with the Treasury.

Q3 **Chair:** So for any MP meeting with a potential investor, the route to go is the Department for Business and Trade.

Kemi Badenoch: Yes, because we own investment. We have a Minister for Investment, Lord Johnson. The Office for Investment sits between my Department and No. 10 as well, so it is definitely us.

Q4 **Chair:** When you came to the Department, you brought with you your pre-existing responsibilities as the Minister for Women and Equalities. How are you able to balance those two responsibilities? What message does that set out to potential investors and the business community about your priorities within the Department?

Kemi Badenoch: I do not think that it sends any sort of negative message. The equalities brief has always been one that people did alongside another one. It has been helpful, because it means that lots of areas get a focus around equalities, depending on who the Secretary of State is. When I was in DfE, there were Equalities Ministers there. In the Treasury, we had an economic focus.

In Business, there is quite a lot where there is an overlap and business is interested in it. For instance, the Worker Protection (Amendment of Equality Act 2010) Bill is about sexual harassment in the workplace. Businesses are interested in that. When businesses look at ESG and CSR, they often come to me to ask, "What can we do in this area to show that we are contributing to society?" It is not an either/or, and it is quite possible to do the two at the same time.

Q5 **Chair:** In the positives for your Department, you referred to the substantial investment that Tata is going to make to support steel manufacturing here in the UK, but we also know that there is a very substantial amount of Government funding going in to support that project. Can you explain how the extent of that support came about? Why have we ended up with the figure that we have ended up with? How



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can you reassure the Committee that that is an effective use of Government money?

Kemi Badenoch: David might fill in any blanks, because he worked on this before I took on the brief. The negotiations around what to do with Port Talbot have been going on for multiple years. We have to start from what the problem we were trying to solve was. We have a steelworks that is, effectively, from all the research that we have seen, losing over £1 million a day.

Steel is in a very difficult position globally. There is oversupply, in particular from China. It is a private business—the Government do not own steel—so how do we make this viable, given that we want to have resilience in this sector? The company has lots of employees. We know that, when there is a particular place that has a focus, you need to make sure that, if the employment supply there disappears, people are not left in the lurch. All of those things add up to what calculations we make in terms of how much Government should invest.

Port Talbot was also the single biggest emitter of carbon in the UK, and I would rather we spent a lot of time there, where we can make a huge impact, than doing lots of little things across the board. All of those things factored into the amount.

Q6 **Chair:** We hear that the Government have provided something in the order of £500 million. How did that sum come about?

David Bickerton: First of all, I would like to apologise that the Permanent Secretary is unwell, so you have a mere DG. I am sorry about that.

Chair: We understand that. Thank you.

David Bickerton: Essentially, what happened was that Tata came to us and said that, given the level of losses that they were suffering at the plant, their anticipation was that they would close it. Over a period of time, we created a financial model around this to make sure that we were making good use of public money, with a view to establishing a model that an economically rational investor would remain invested in for the long term. We were concerned that the level of jeopardy over the jobs in the economy in south Wales was persistent, and we needed to get to a situation where it lasted, on a realistic, sustainable basis, for longer.

In terms of the way in which we presented it to the company, we said that we wanted to come to a point where they were more or less ambivalent about whether they accepted our offer, because we wanted it to be the smallest amount of money that they would be able to invest and we would be confident that they would be able to have a sustainable business, yet we also wanted it to be big enough that they would continue their investment and not just prolong but create sustainable jobs for remaining workers into the longer term.



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Q7 Chair: How did you know that £500 million was the right figure? Was that the smallest amount that they would be willing to accept?

David Bickerton: I do not know whether I can comment on the £500 million, but, whatever the number was, we were trying to do the smallest number that they would accept but which would also mean that the business would be sustainable into the long term and provide a future for that area.

Q8 Chair: Secretary of State, you will have heard in the Chamber only yesterday some criticism that we are looking at electric arc furnaces using previously used or scrap steel, and that the country is not investing in a new blast furnace. Why is it not?

Kemi Badenoch: We have to look at what was realistic for the current owner, which is Tata, and who is interested in investing in steel. At a time when there is oversupply and the business, as it is, is losing £1 million a day, it is not like there was someone walking in prepared to just put a blast furnace in.

You have to remember that what we were considering was what would happen if this plant closed. That was the real threat that we were dealing with. If we lost Port Talbot, we would have been looking at billions in remediating that site. An electric arc furnace is cost-effective, and we still have a blast furnace in other parts of the country. There is new technology that is coming in, which means that, at some point in the future, we can look at making more grades of steel.

The problem that we are trying to solve is how we make sure that we do not create a problem, or a catastrophe, in Port Talbot where everybody loses their jobs. That includes not just the 8,000 people who work for Tata, but the rest of the supply chain. How do we regenerate the area? How do we make sure that we are hitting carbon emissions? This deal was the one that ticked all those boxes.

Q9 Chair: You referred to the job losses that arise from this project. How are we going to support those people? What plans do you have in place to attract additional investment to make use of the labour resources that will become available?

Kemi Badenoch: It is a really good question. Let me say first how much we really wanted and tried to save as many jobs as we could. The criticism that we let people lose their jobs is completely unfounded. So many more were going to. We saved 5,000 jobs. We are setting up a transition board, which DLUHC will be chairing. It is not finalised yet, but the Secretary of State for Wales will be working with them in order to make sure that there is a plan for re-skilling and that the transition that occurs is one where people have something else to go on to. It will link to the freeport and regeneration opportunities. There is also a proposal for offshore wind. All of that is linked into what we have for transition.



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David Bickerton: It might be helpful to say that part of the deal with Tata is that it is going to remediate some of the land, which should give an opportunity for the offshore wind industry there to have a positive future.

Q10 **Andy McDonald:** I have a couple of supplementaries on Tata more broadly. I come from an area where we lost a blast furnace in 2015, with a devastating impact. Here, you are talking about saving 5,000 jobs, but 3,000 are going to go. Is that the correct position?

David Bickerton: There is a question about the safety of the existing blast furnaces. Those in Port Talbot are extremely old, so outages are not uncommon. The other thing to remember is that the company has been very responsible about working through with us what the age levels of the workforce are. The hope is that, as we engage in further negotiations with them, many of those 3,000 will be people who will have retired by the date that the redundancy arrives. So it is not eight minus five equals three; it is eight minus three plus a bit.

Q11 **Andy McDonald:** Okay, but you still have a situation where these people are going to be losing their jobs. You mentioned the challenges from China. Where does this fit in the thinking of Government opposite industrial strategy if we are considering these imports from China, which, of course, are heavily subsidised? While Port Talbot may be a big emitter, my goodness me, the emissions from China! If we are simply going to be importing greenhouse gas emissions, how does that help us?

Kemi Badenoch: This is the key thing. It goes back to the point about having both business and trade working together. On the trade side, we had steel safeguards and the Trade Remedies Authority looking at anti-dumping and so many of the other things that we see distorting the market. This is not a UK-specific issue. It is a global issue. When I go to meetings at the World Trade Organisation, this issue comes up time and again.

I cannot say exactly how we will do so at this point, but we are looking at a range of options. If you look at the discussions that we have at WTO, other countries talk about carbon border adjustment mechanisms, about tariffs and about forming steel clubs, so there is a range of options. I cannot say much more than that, but we are looking at what is going to make the most sense for UK steel.

Q12 **Andy McDonald:** Mr Bickerton talked about the actions of a rational investor. When most people invest in something, they expect a return, or at least a stake. Have you approached either of these interventions with Tata with that in mind, in terms of having an equity stake? Are these loans? Are they grants? What is the structure? Where is the protection for the taxpayer in this? Is there a stake to be had?

David Bickerton: The proposal is that these would be grants. The return to the country and the taxpayer would be the maintenance of jobs. I will get the number approximately right, but jobs in the steel industry tend to



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be about 37% to 40% higher than the UK average, so there is a benefit from the tax take there. The protection for the UK taxpayer is that support that we give will be conditional and delivered as and when the electric arc furnace comes on, so that we are as assured as we can be that the upshot of the Government intervention will be that there will be an electric arc furnace.

Q13 **Andy McDonald:** So there is conditionality in the grant.

David Bickerton: We have not got to the grant letter, but there will be conditionality in the grant letter.

Kemi Badenoch: We also need to look at it in the context of, if we do not do anything and the plant closes, aside from the jobs, we will be spending billions of pounds on just remediating the site. That has to be part of the cost calculations.

Q14 **Chair:** Staying with that, what timeline are we looking at? When do we expect that the new electric arc furnace may be operational?

Kemi Badenoch: Can we talk about timelines yet? It is sensitive, for a particular reason, but the discussions are live in terms of exactly when and how.

Q15 **Chair:** You referred to the fact that the blast furnace is, in many ways, beyond its sell-by date. There is presumably, therefore, a degree of urgency. Could you give us an indication of when we might expect that plant to be up and operational?

Kemi Badenoch: This side of the end of the decade, definitely.

Chair: Before 2030.

Kemi Badenoch: Yes, it should be well before 2030.

Q16 **Jonathan Gullis:** Secretary of State, carrying on with the theme of securing investment, the Competition and Markets Authority has come under quite heavy criticism in recent times for being a blocker in making the UK an attractive place. Mr Afolami, a member of the Committee, previously raised a question about how much communication the CMA has with competitors or others such as the Federal Trade Commission in the US, for example. A letter came back from the CEO of the Competition and Markets Authority to show that there was a substantial amount of communication. Do you feel comfortable and do you think it is appropriate for a UK regulator to take so many soundings from a foreign regulator?

Kemi Badenoch: I do not know whether I would classify them as soundings. I do not think that it is odd for them to be speaking to other regulators and speaking to them frequently, especially where it is around the tech sector and the technology is quite cutting-edge. I do not think that they are colluding or taking instructions, but, when I look at some of the cases that have come up, the UK also needs to be quite careful that



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we are not doing something that is so out of line with other countries or continents that we end up just talking ourselves out of being an investment destination. I have not seen the contents of the letters, but, specifically on your question, I am pleased to hear that they are having active communication with other regulators.

Q17 Jonathan Gullis: The CMA has recently increased the number of mergers and acquisitions and sector investigations, including the blocking of the Microsoft acquisition of Activision Blizzard. What are the Government doing to work with the CMA to ensure that the UK remains an attractive place for business to take place?

Kemi Badenoch: I must preface this by saying that the CMA is independent, so there is a limit to how much I should be getting involved in the decisions that it is taking about all these sectors. If we look at the size of our tech sector and of the investment that is coming in, it shows that we do have a healthy regulatory environment.

As we go into probably tougher economic climes, as we are seeing all across the world, there needs to be a focus on growth. Those are conversations that we have with a whole range of regulators. We tend to do this with our strategy and policy statements. When I next meet with the CMA, it will be to have a conversation around how they are seeing and dealing with the tension between investors and consumers in terms of getting the balance right with regard to who benefits. We need that balance to be working, otherwise we are just not going to see the investment that we need.

Q18 Jonathan Gullis: On the specific point about the independence of the CMA, have we not fallen into the trap in this country of, having withdrawn from the European Union in 2016 to regain and take back control of laws and powers, seemingly giving them away to independent regulators? That makes it harder for Government to hold those individuals accountable. It also means that Government strategy is not necessarily delivered, because these regulators, as I say, are arm's length to the point that you can have conversations but direct ministerial oversight becomes very challenging. Is that a mistake in strategy?

Kemi Badenoch: I would not say that that was the strategy at all. We have had a Competition and Markets Authority for a very long time. It is not that regulators did not exist until we left the EU. What we need to look at is what problem we are trying to solve and what we are trying to achieve. It looking like there is political interference in decisions is unhelpful. That is why we let independent bodies do this. It is also a very technical area. I have seen some of the papers, which are very legalistic. It is not really Ministers who would be doing these sorts of things anyway. We get advice and then we make decisions, so it is helpful having independent bodies doing this.

You have pointed out the obvious thing, which is that, when you have an independent body—and that could be any regulator—they may do things



that might be different from what Ministers would want to do. That is the cost of doing this. It is the trade-off. Having frequent communication, setting out very clear Government strategy about what we want from our regulatory environment, making sure that these are up for review often, and setting out the strategy and policy statement is how Ministers can make sure that the Government's direction of travel is seen by all regulators.

- Q19 Jonathan Gullis:** I understand the point about political interference, but is it not the case that politicians are elected to make decisions and therefore take accountability, and that voters ultimately have a choice about how to decide whether those powers bestowed upon Ministers in particular have been used appropriately? Would it, therefore, not make more sense to have more ministerial oversight and also for Parliament and Committees like this to have more of a say in what is going on or to hold these regulatory bodies more accountable, rather than seeming to get in the way? The Government carry the can and the CMA gets to carry on as normal.

Kemi Badenoch: Accountability is there. It all depends on how far you want to go. We pick the chair of the CMA, for example, and the chair is accountable to Ministers. There is parliamentary oversight. The CMA comes to this Committee. We are able to ask it questions. I do not think that it is something that is happening completely opaquely, where there is no democratic linking at all with what is taking place.

On the point of Ministers having accountability, there is a limit to how much we can do. You have seven Ministers in this Department. This is a large Department. We do not have the bandwidth to look into every single merger and acquisition and so on, and neither does the Department. It sets policy. We need to make sure that the division of labour and the specialisation is working well.

It is right that you have independent regulators. It is helpful having people who have expertise in this looking at it, rather than Ministers—who are generalists, as are, to a large extent, civil servants—doing all of this. Where we see that decisions are being taken repeatedly in a direction that we do not want, it would be right for the Government to look again and see what we can do. It is not like we just do not pay any attention. We do look at this closely. We talk to businesses. We have meetings with them. We ask what issues they have had with the CMA. We do all of those things to make sure that the regulator is continually improving.

- Q20 Jonathan Gullis:** With regard to the specific Microsoft and Activision Blizzard merger, do you agree with Microsoft president Brad Smith that the CMA's decision was "bad for Britain", particularly when the merger had already been approved in the European Union, Ukraine, Saudi Arabia, Brazil, Serbia, Chile, Japan, South Africa, South Korea, New Zealand and China?



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Kemi Badenoch: It had not been approved in the US, which is its main market, and it went to appeal there, which shows that we were not an outlier if you talk about the size of the market. At the end of the day, you made the point about us leaving the EU to make our own decisions, so here we are now making our own decisions. At some point, we have to decide whether we are making them in a way that is right for us or just trying to do what everybody else is doing. I do not agree with his comment.

If the CMA is doing something wrong, that will become evidenced through a pattern, which is not yet the case. The CMA's job is to protect the consumer as well. If a business says that the CMA is being unfair every time, we will probably end up having a lopsided regime that does not necessarily benefit consumers. At the moment, I do not think that there is a problem, but we are keeping a close eye on the rulings.

Q21 **Jonathan Gullis:** The high-tech operation in the north-west—in Warrington specifically—is something that Ministers should be and are looking to encourage, but it is facing competition with Barcelona, where Infinity Ward is opening up a new office. How do we make sure that we remain competitive when high-profile cases like this merger, for example, may muddy the waters in terms of whether the UK is attractive for this very profitable tech sector?

Kemi Badenoch: I would go back to the point that I made earlier about the sector being very healthy. We are seeing a lot of investment. There will be some cases that make people ask questions, but, overall, I do not have concerns at this stage.

Q22 **Jonathan Gullis:** Finally from me, Ministers Scully and Hollinrake recently responded to a letter from the previous Chair of the Committee about parliamentary oversight of the Digital Markets Unit. The response said that you do not consider it necessary to include additional independent reviews of the economic impact of the interventions of the Digital Markets Unit. As the new digital markets regime and DMU decisions will have huge impacts in the digital sector, should an additional review of these impacts not be considered?

Kemi Badenoch: Are you saying that you do not think that the reviews that are in place are enough? What is the mechanism that you want to see?

Q23 **Jonathan Gullis:** There was a back and forth with the previous Chair about whether the one potential intervention point was enough and whether they should look to move towards more of a multiple model over the course of a calendar or financial year. Do you feel that we have sufficient reviews to consider the impacts made by this new Digital Markets Unit?

Kemi Badenoch: I would certainly say yes. Post the Bill becoming an Act, we need to see how it works. One of the things that I have seen is us building in so many reviews, impact assessments and checkpoints but not



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getting stuff done. We are spending more time measuring and reviewing than doing the work. If we detect problems in the future, that is something that we might come back and look at again, but for now I am satisfied.

Q24 Andy McDonald: Secretary of State, can I turn your attention to the matters of the Post Office? In Sir Wyn Williams's interim report in July, he noted that claimants who sued the Post Office in the group litigation would not receive full payments by 7 August 2024, which is the date that was specified. How confident are you that all of those claimants will receive their due compensation by that date?

Kemi Badenoch: I will let David go into a lot of the specifics of the Post Office, as he has been working on them for years—I don't want to say "for many years". I want to start off by saying, having come into this role having read about the Post Office and Horizon scandals in the papers, that this is something on which we are absolutely committed to making sure that we do right by people. You will have heard Minister Hollinrake's announcement about the £600,000 for those people who had been wrongfully convicted.

Sir Wyn Williams has written a really good report. We are taking a lot of the findings and the recommendations. We can still meet the August 2024 deadline, but David can say a bit more about why that is.

David Bickerton: As Minister Hollinrake said, if we end up not finishing it by August 2024, the Department's view is that we will extend the deadline. What we do not want to do is to extend the deadline and slow up the progress that we are making. The key thing on the GLO is that, at the moment, we have paid out £22 million and are hoping to continue accelerating that. If you have more questions about the Post Office, I will be very happy to talk about that.

Q25 Andy McDonald: You mentioned the announcement of Minister Hollinrake, and I have to say that each Minister who has come to this has come with really good intentions of taking the matter very seriously. My concern is that he has written to all of us and said, "The Government and the Post Office have been clear that we want to see the victims receive swift and fair compensation." It certainly has not been swift, and the only fair compensation that people should be receiving is full compensation.

This announcement yesterday was of £600,000 in full and final settlement. Admittedly, people are open to accept that or to reject it and continue with their ordinary claims, but that puts them under an awful lot of pressure to get this done. I have to say that, for somebody who has lost their livelihood, their career and their home and, in many cases, been imprisoned, the thought that £600,000 would represent fair compensation is not something that I recognise, as a lawyer practising in other compensation arenas. I would have expected a schedule of special damage and future loss to run into seven figures in many cases.

I am very concerned that these postmasters, who have been to hell and



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back, are now having, in effect, a gun held to their head and being told, "You have £600,000 on the table now. You can take that and bring this to a close," when their proper compensation for exemplary damages and for aggravated damages would be a wholly different figure. Why can the Department not say, instead of £600,000 in full and final settlement, £600,000 as an interim payment, and let people receive their proper and full compensation?

David Bickerton: First off, to be clear, everybody with an overturned conviction has received £163,000 of interim compensation. I completely agree with your comments—and the Minister's views are absolutely aligned with yours—that money is not the answer to this, but that there is a need for there to be compensation, on top of engaging with the statutory inquiry, so that it is clear what happened and it can be clear that it never happens again.

I was a lawyer before too, and I know that one of the challenges that people have with lawyers—and a challenge that postmasters have had, in particular, is that they have been locked in, essentially, a litigation process ever since the injustice was done to them. On the £600,000, I take your point completely that there will be a lot of claimants who are due more than that. This is an attempt to de-legalise the process for those whose claims are less than that.

Q26 **Andy McDonald:** Mr Bickerton, you can de-legalise it by saying, "Liability is not an issue; it is merely quantum," and you and I both know that that is capable of resolution with a schedule and a counter-schedule, and an arbitration process. We could resolve this. I cannot fathom why it is taking so long to come to proper and full settlements, and yet another device is introduced. We have been here before with this story of schemes introduced, then failing and being deemed to be inadequate. I fear that that is exactly where we are headed on this one. Do you not see the risk?

Kemi Badenoch: I would like to jump in at this point, because the £600,000 is an up-front, optional offer. People will still have legal advice on whether they should take it. The questions that you are asking are the same ones that I asked, but what complicates it, certainly for me as a decision maker, is that the inquiry is still ongoing. We are doing this in tandem with an inquiry that I have absolutely no control over.

My view, especially when I hear stories about people dying, is, "What it is that we can do now to at least alleviate the situation?" I am not saying that this is the solution, but I am using the levers that I have, with an inquiry and with a legal process that is quite arcane. Money does not sit in the Department. There is a Treasury element to it, which we need to look at.

When we put all of those things together, this, for me, was, "Let's do this, and that will at least ease the pressure on people".



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Andy McDonald: Can I just make a plea? Will you undertake to go away and think about whether this could be converted into an interim payment rather than a full and final settlement? That would relieve an awful lot of the pressure on people in these circumstances.

Q27 **Chair:** Why £600,000? Why not £500,000 or £750,000? How did that sum come about?

David Bickerton: We were trying to scoop up as many postmasters as possible, so that they could get their compensation as quickly as possible. We were setting it at a level where there would be people who would get legal advice that their numbers would be lower than that, and they would accept this figure. Apologies to Treasury colleagues, but we were trying to work out how we could get as much money to affected postmasters as quickly as possible.

Q28 **Andy McDonald:** An average is quoted in some of these documents, which, by definition, means that there are going to be people who are entitled in law to a great deal more than £600,000.

Can I just move you on? We addressed the issue of the bonuses paid to senior executives in the Post Office. The previous Chair asked about the metric that related to co-operating with the inquiry, which, quite frankly, is utterly staggering: "Come to work and do your job, and get a bonus for doing your job." People cannot fathom that. What is your view, Secretary of State, on giving some guidance to those senior executives that they must repay 100% of that part of the bonus that relates to that metric to co-operate with inquiry?

Kemi Badenoch: Certainly Nick Read has given that part of it back, and there have been repayments. There were profuse apologies when this happened. This was something that was news to us as Ministers. What we need to focus on is getting the Post Office to a footing where it is making money and dealing with the scandals that it has had on its plate for several decades. It is difficult to recruit people who want to take on the job. It feels like a thankless task. In terms of the metric amount and what has been happening with the other executives, I cannot remember exactly where we got to on the those.

David Bickerton: Essentially, there was a sub-metric about positive engagement with the statutory inquiry, and then there was a wider metric about the whole of the inquiry. Nick Read, to his credit, has given back the whole of the share of his bonus that came from the overall metric. Other members of the team have not. I am an impartial civil servant, so I do not have personal opinions about it, but, essentially, it is a question for them. There is a legal question between them and the Post Office, but the CEO has shown them the right way to behave, to be honest.

Q29 **Andy McDonald:** Mr Bickerton, that sorry saga revealed that Sir Wyn Williams had no say in these bonuses. He was accredited with having somehow approved them. Some of the instruments that were produced in



support of those bonuses were found to be erroneous. Our previous Chair read out that section of the Theft Act that the postmasters themselves were prosecuted under, which would equally apply to the senior executives within the Post Office. So that you would want to leave that to their discretion rather than send out the strongest possible message that, morally, they should do the right thing and return that element of the bonus pay—the Committee hears that, and I think we would probably want a great deal more than that.

Turning to postmasters who are now running our post offices, many report that they struggle. We had a Westminster Hall debate and were given evidence from many Members of Parliament and their constituents who are finding themselves in dire straits trying to do this. In those circumstances, are the salaries and bonuses for those executives justified, given that many postmasters cannot make ends meet?

Kemi Badenoch: It is a really good observation that I hope those executives are listening to. David cannot give a personal opinion. I can. I found it really shocking, but these are the individual contracts and we cannot interfere with contracts between the Post Office and those executives. There are a lot of lessons being learned about how we structure these difficult organisations that we are controlling. As I said, it is so hard to recruit at that level.

What I would say is that we are doing all that we can in order to get the Post Office on a good footing to make life easier for postmasters. I do not think that it is right, when we step out of the moral side of it, to link the two things together. The amount that the executives are getting would not solve the problem of the postmasters. This is something that is a lot more structural.

Q30 **Andy McDonald:** Indeed, and we saw evidence from one postmaster who is “contracted to open for eight hours per week” but “trained up everyone who works in the shop, so that, if the shop is open, the post office is available. That means in the summer, you can get access to the post office seven days a week, from 11 am to 4 pm; in the winter, we only open five days a week—11 am to 2 pm. The post office is therefore getting 35 hours a week from me in the summer and 15 hours a week in the winter. For this I get paid £390.90 per month...slightly above the current minimum wage if I opened for eight hours per week.” In those circumstances, how can the Government further support struggling postmasters?

David Bickerton: The first thing to bear in mind is that we are acutely conscious of the fact that the Post Office provides an incredibly valuable service to communities and businesses, and it is doing so in challenging circumstances on the high street as the way in which we all engage with the Post Office changes.

How current postmasters are paid is an operational matter for the Post Office. You will be aware that the Government provide the Post Office



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with an operational subsidy and are providing it with £335 million between 2022 and 2025. £50 million of that a year is an operational subsidy. In April 2023, there were improvements to postmasters' remuneration, so they got 20% more on deposit banking transactions, and there were some improvements in August, but we do acknowledge that it is a very difficult business. We have an active and open dialogue through UKGI, which is the organisation that holds the Secretary of State's share in the Post Office, about the way that the Government engage to make life as good as possible for postmasters while providing the social benefits.

Q31 Andy McDonald: As the single shareholder, you are in quite a powerful position to exercise and exert influence, are you not?

Kemi Badenoch: We are, but we also have to be realistic about what it is that we are asking them to do in this.

Andy McDonald: Pay people properly.

Kemi Badenoch: Of course, but these are contracts that postmasters enter. They are not coerced into the contracts. We know that it is not easy. We are providing a subsidy and we are doing what we can, but post as we do it today is just a very difficult business.

Andy McDonald: I accept that, but the hon. Member for North Norfolk raised in the House yesterday that, with banks disappearing from our high streets, the Post Office represents very important opportunities, so perhaps the Department might want to look at a more proactive approach to bolstering this sector.

Q32 Chair: Secretary of State, on the matter of bonuses, before Mr McDonald moves on, is there a broad message to the remuneration committees of large corporations about the bonuses in general that are available to senior executives within their businesses?

Kemi Badenoch: I would not mix the Post Office with other corporations. It is quite a unique beast. It is not a FTSE 100 company that is making profits and so on. If the Post Office was not owned by us, it would not exist in its form, so I would not say that the lessons translate in the same way. I also recognise that it is difficult to find people who would want to work for the Post Office compared to one of those easier-to-run companies, so there is a balance to be struck.

As the Government owning an organisation like this, which is there to serve communities—I see it in my constituency as well—we do impress upon them that this is more than just running a business. This is about contributing to society and looking after each other. There is a message that it sends to everybody else, although not necessarily other corporates, about how they are running the organisation and what they think the value and the merit is of the job that they doing.

Q33 Chair: I was making the broader point that there are many corporations



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and private businesses where senior executives earn very substantial bonuses, but where the method by which those bonuses are earned is sometimes opaque to the general public, to shareholders and to workers. I am just wondering whether you think that there is a broader message that, when those bonuses are payable, they should be more closely linked to elements of performance.

Kemi Badenoch: Bonuses should always be closely linked to performance. I would be surprised if they were not, because any company that was not doing that would very quickly go out of business.

Q34 **Chair:** They did not appear to be in this case.

Kemi Badenoch: As I said, it is so different that I do not think that the lessons translate. The lessons are probably clearer out in the private sector than here.

Q35 **Andy McDonald:** I am slightly concerned that people are valued in that way, where people in the private sector have these values and are worthy of our respect and of proper remuneration, and the message going out to postmasters is, "You do not fit in that category." That is a shocking message, Secretary of State.

Kemi Badenoch: That is not what I am saying at all. What I am saying is that, in the private sector, if you were the Post Office, you simply would not exist, because you would have gone bust. That is the difference. This is a loss-making entity. There is no loss-making entity out there that is paying bonuses. It just would not exist, so it is a very different scenario.

Q36 **Andy McDonald:** There are wider issues, as you rightly said, Secretary of State. Let me move you on to something that we did have and no longer have: Royal Mail. On 5 September, Ofcom reported that it was considering providing advice on changing the USO—the universal service obligation. Royal Mail has asked for the USO to be reduced to five days in the past, and the Government have told us that a change to the USO would not happen. If Ofcom advises a reduction to five days a week, will the Government accept this?

Kemi Badenoch: From my perspective, advice is advice. We have been lobbied on this before. We will look at the Ofcom advice, but I certainly do not have any plans to change the USO.

Q37 **Andy McDonald:** What is the state of the current discussions between Royal Mail and the Government regarding the USO? What is going on?

Kemi Badenoch: How do you mean?

Andy McDonald: They have made their pitch to reduce the USO to five days a week. What is the current status of the discussions between the Government and Royal Mail over that issue?



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Kemi Badenoch: I do not believe that the USO is the place to start in terms of looking at Royal Mail's business. It is, like the Post Office, incredibly difficult, and these are also difficult times for it to be operating. If you start to move things like the USO, it stops being the service that you want to be delivered. Minister Hollinrake has been having discussions with them and is trying to work out how best they can get themselves on an even keel, and we can write to you with a bit more information.

David Bickerton: On the timing, Ofcom has announced that it is looking at the future changes to the USO and will produce options for views at the end of the year. We will get that advice and consider it.

Q38 **Andy McDonald:** Secretary of State, you touched on the difficulties that the business was having. The group operating loss for International Distributions Services, which is the parent company of Royal Mail, was £748 million for 2022-23. That was, apparently, largely due to Royal Mail losses. Will the Government choose to step in if Royal Mail is no longer financially viable?

Kemi Badenoch: At this stage, what I would say is that Royal Mail is reporting its performance and its forecasts. We have seen the annual results. The industrial dispute is settled, so it should be in a position to recover. I do not think that we are in a position to say much more than that. We are keeping a very close eye on what is going on. We are having consistent discussions. At this point, Royal Mail is not in a place where it is saying that it simply cannot go on. It is raising these very significant issues and we are working with it on that. In terms of the Government stepping in and so on, those are matters that we would have to discuss with other Cabinet colleagues—with the Chancellor and so on. I do not think that we are in that position yet.

Q39 **Andy McDonald:** But you would not let it go to the wall.

Kemi Badenoch: I have already said that the universal service obligation is something that is critical. I am not going to be doing that. Somebody has to, and we need to figure out a way that we can do this in a sustainable fashion.

Q40 **Charlotte Nichols:** Thank you, Secretary of State, for coming along today. You referred earlier to a benefit of your joint portfolios being that business can come to you with questions about equality law. All of us can sometimes be frustrated by Whitehall acting siloed by Department. Businesses in this country often experience the brunt of the negative consequences of this. Since taking up your new role, can you outline some of the cross-departmental co-operation and collaboration that you have been involved in?

Kemi Badenoch: There has been quite a significant amount. The Tata gigafactory was not something that we did on our own. DESNZ has ownership of energy policy. The electricity supercharger, for example, is something that we did with DESNZ. We want to look at how we can work together to make sure that we create an environment where business can



thrive. That is a very good, close working relationship. There is a lot of work that goes on with the Treasury in terms of looking at regulatory policy and talking about regulators. With DSIT, there is a lot of collaboration that I do on things like intellectual property, especially at WTO level, and discussions around trips. There is something that we do with every Department.

- Q41 **Charlotte Nichols:** Since taking up your post, have you had any discussions with DEFRA around the extended producer responsibility? A number of businesses have raised concerns that that policy is holding up billions of pounds of investment in manufacturing.

Kemi Badenoch: Yes.

- Q42 **Charlotte Nichols:** Can you outline what sorts of conversations they are and where we are with that at the moment?

Kemi Badenoch: We get representations from business. If you go back to the point that I was making about business having us as its voice at the Cabinet table, the extended producer responsibility, the deposit return scheme and others are one area where we often have discussions with DEFRA about how they are finding the policy and where they are struggling to implement. This was an area where we were able to get a concession from the Department that this was not necessarily going to work. That is an example of the sorts of discussions that we have there.

- Q43 **Charlotte Nichols:** Moving to international trade, the Government are currently engaged in a significant number of trade negotiations around the world, which we all welcome. Parliamentary scrutiny is vital in this, given not just the huge breadth of negotiations that are taking place but how our trade policy interacts with not just our international development obligations but our domestic legislation.

The former Department for International Trade gave undertakings to the former International Trade Committee about trade agreement scrutiny in correspondence with a Lords Committee in May 2022, a letter to the ITC in September 2022, and the response to an ITC report in January 2023. Do all of those undertakings now apply to our Committee? Will you confirm to us in writing the details of how we will be involved in FTA scrutiny going forward?

Kemi Badenoch: Yes, we can do that. It was my assumption that all of the activity that the ITC carried out would come to this Committee. The only exception that I would make would be on where the Lords have their International Agreements Committee, because that is slightly different. I would need to see that specific letter, because the commitment that I made might have been specifically to them.

In terms of parliamentary scrutiny, I would expect CRaG and all of the other elements that fall into FTA parliamentary oversight to carry on, in the same way that they always have.



Q44 **Charlotte Nichols:** Will you write to us with that confirmation?

Kemi Badenoch: Yes, we will.

Q45 **Charlotte Nichols:** In February, Crawford Falconer, your Second Permanent Secretary and chief trade negotiation adviser, said that that UK's accession to CPTPP "represented a 'pragmatic plan B' that recognises the diminished role of the World Trade Organisation in the current and future global trade architecture". What did he mean, and do you agree?

Kemi Badenoch: I do agree with him. I am not sure exactly which context he was speaking in, but the WTO has hundreds of countries, many of them at loggerheads at an existential level—China, India, the USA and so on—which means that sometimes just getting things through is really difficult.

When you have blocs of like-minded partners, there is a lot more that you can do. On CPTPP, for instance, we have been able to do quite a lot on services agreements, which we could not get at a WTO level. It just means that those of us who want to do business with each other and can get an agreement can just move on. This is an area that we are expecting to do quite a lot more trade with, so it is a good place to start in terms of improving what we can do on services. I suspect that that is what he was referring to, but that is my view on how we can improve on existing bodies.

Q46 **Charlotte Nichols:** According to written answers in June and earlier this month, your Department's trade advisory groups have, effectively, ceased to function, and you are still trying to work out a new approach to stakeholder engagement. When will that be done? How will it address the persistent question of trade union membership of trade advisory groups, which had been an issue with the previous iterations?

Kemi Badenoch: When I first became Trade Secretary, even before the merger, I just paused what was going on with the STAGs and TAGs, because I had had quite a lot of feedback from business and, as you said, from the unions that they were not quite working as they were intended to.

They were put in place when we were having lots of roll-over agreements, and they worked well then. For many of these new agreements that are not just copying and pasting, replicating or duplicating things that were in place, we have something a little bit more bespoke. We have roundtables and meetings with unions, but bringing in the business side from BEIS meant that we brought in all of union and labour market policy, so the engagement with unions suddenly increased exponentially. We do not need to do STAGs and TAGs in the way that we did before. It worked for DIT, but, as we are DBT, we just do not need those advisory groups in that format. We are working quite well without them.



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The key thing is making sure that the engagement does not disappear and is relevant to the people turning up, rather than just having meetings because there is a meeting in the diary. It is working well so far. We will take stock, probably in about a year from when we became DBT, just to look back on how the current set-up is working and to see if we need to make changes. In terms of the STAGs and TAGs, I would not worry about reinstating them in the previous format, just because so much has changed and we have moved on a lot since then.

Q47 Charlotte Nichols: So the position is that there is going to be no successor body similar to what we had previously.

Kemi Badenoch: If you look at the comments that I made when I first became Trade Secretary, I also emphasised that the Department is not just the FTA Department. Those bodies were really just doing FTAs. We have now got quite into the rhythm of free trade agreements, so we are engaging in a slightly different way. We do not need the STAGs and TAGs in the way that we did when we were a new Department. Now that we are DBT and have lots more sectors and expertise, and a whole unit that works with the unions and looks at union and labour market policy, we need to just start from first principles. The way in which we are operating now is fine. In February or March next year, we can look back again and see how well it is working and what the feedback is on what we can improve in terms of engagement.

Q48 Charlotte Nichols: In the written answer that I referred to, you said that a new approach to TAGs, including membership, will be set out in due course, so the announcement is that there is no announcement, effectively.

Kemi Badenoch: Yes, basically. It would have been set out in due course. I can write in more formally, but I have been looking at how we are operating, and it is working as it is.

Q49 Chair: Could I just ask you a question about trade deal scrutiny and the role of this Committee and Parliament more broadly? It seems to me right now that, when a trade negotiation takes place, the deal is then presented to us and to Parliament, and we are given a binary choice either to back it or not to back it. Would there be some merit in a Committee such as this, and Parliament more broadly, getting involved in setting out the criteria, the objectives and the aims of a negotiation before it takes place, and then having some input, rather than what happens right now?

Kemi Badenoch: The process that we take is getting mandates from different Departments on what their requirements—

Chair: But not from this Committee.

Kemi Badenoch: Let me finish. We get mandates from Departments on what they want to see in an FTA. If you wanted to have an input, it would be at the mandate-setting point, which would be right at the point where



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we announce that we are launching negotiations, and it would be with those Departments rather than just us, because they own the policy. Effectively, we speak on behalf of them.

We can give private briefings to the Committee, which we have done before. The difficulty that we have in doing everything in a public forum like this is that the negotiators on the other side are watching and listening, and hearing everything. We do not have the equivalent information. We can do that, so that the Committee can feed in, but it is really what stakeholders who we are trying to benefit would say. That is one of the things that helps inform the mandate right at the beginning of the process.

Q50 Chair: It would be much easier for us to support, or withdraw our support, if we knew what the key criteria were at the outset, but this Committee does not get to know that.

Kemi Badenoch: That is true, but it is not a binary process with the FTAs. If we have a big, ambitious deal set out at the beginning in terms of, "This is what we want to do," and the other country says, "We can't do 10 of those things. We can do five of them and, in exchange, you'll get this," it is not helpful to look at the deal from the perspective of what the ambition was and say, "You didn't get all 10 of these things, so we aren't going to support this." We would not get any trade deals done that way. It is a very dynamic process. It still has quite a lot of scrutiny—more than we have ever had—in terms of what it is that we are agreeing.

Q51 Jonathan Gullis: Secretary of State, the newspapers are reporting that the Prime Minister is hoping to sign a free trade agreement with India during the Cricket World Cup, maybe, or some event in the coming months. Is it your assessment that this free trade agreement is that close to being completed?

Kemi Badenoch: We have never set a deadline. This is very optimistic briefing from newspapers. We had the same thing last year when they said we were going to have a deal by Diwali. Once you set a date, you create problems on your own side. We have always been very specific that it is about the deal, not the day. We will get there when we have a deal that is mutually beneficial for India and the UK. We have done quite a lot. It is close. As I said at DBT oral questions last week, the pareto principle applies to this. The last few bits are always the toughest bits.

We are very close. It is possible, but I would not be setting that sort of deadline. We will finish when we finish.

Q52 Charlotte Nichols: Secretary of State, I remind you that we have had private meetings with many of the officials, and that is something we are happy to do as a Committee in order to facilitate further scrutiny. We are very aware there are certain things that we would not necessarily want discussed publicly, but the Committee still has an important role to play in parliamentary scrutiny of our free trade agreements.



I want to move on to some questions around the US Inflation Reduction Act and the response from the UK. The US Inflation Reduction Act was introduced just over a year ago. What effect has this legislation had on the UK so far? In your assessment, what implications does it raise for the UK in the years ahead?

Kemi Badenoch: I would take a step back and look at why the US is doing this. It is because it fell very far behind countries like us in terms of its ambitions on tackling climate change. It did not have the consensus we have in this country about reaching net zero and reducing carbon emissions. It is effectively subsidising its way out of it. The level to which it is subsidising is distorting the global economy. It will end up causing other people to make mistakes.

What I, the Prime Minister and the Chancellor have said is that we need to do something that is specific for our economy, targeted where we have a comparative advantage, and not just compete in a subsidies race. It does change the macro environment for us. That is why, when you look at the things we have done on auto, for example, we are thinking very carefully about what the US is doing and how this could impact investment into our country.

When we speak to investors, they tell us that the decisions around IRA are not the main thing that is impacting them. It is things like planning and the general availability of skills. Those are all areas where we are doing quite a lot of work, but we cannot be complacent.

You will have heard me speaking, for example, to the Society of Motor Manufacturers and Traders, about the advanced manufacturing plan. That is something we are actively working on to make sure we protect our industries so they continue to grow and innovate. We cannot subsidise everybody. We will just end up bankrupting ourselves.

When you look at what some of the US states are saying about how the IRA subsidies are distorting activity within their economy—the same thing is happening in the EU to a lesser extent—we are doing the right thing.

Q53 **Charlotte Nichols:** Based on the comments you have made and your recent comments in the *Financial Times* that it is “a battle of wits competing with countries prepared to offer eye-watering sums to pry business away from our shores”, how can the UK compete with other markets without getting into that global subsidy race that you mentioned? Specifically, the UK abolished its Industrial Strategy Council over two years ago now and it has not replaced it with anything else. Is the targeted investment that we need, which you just spoke about, undermined by the lack of an industrial strategy in the UK?

Kemi Badenoch: I would not say we do not have an industrial strategy in the UK. We certainly have a strategy. What we are not doing is having a brochure that will be out of date as soon as it is printed. So much has changed. If we had stuck to the previous industrial strategy post covid,



post Russia's war in Ukraine and post the distortion in supply chains, it would have been a completely irrelevant document. We are in a macroeconomic environment where things are moving very quickly. It is all very dynamic. We are keeping on top of everything.

It is very live, but we do have an overall strategy. The Chancellor has talked about the five sectors we specialise in, one of which is advanced manufacturing. You can look at things like the battery strategy or the critical minerals strategy, which we have talked about. You can look at the investment that is coming, not just the Tata one but the one in Sunderland with Nissan and Envision. You can look at what is happening with lithium in Cornwall. It is the results we need to look at.

If you think about all of those auto investments that I was talking about, such as BMW, Stellantis, Toyota and Ford, there is so much that is going on that shows our plan is working. We are not going to call it an industrial strategy because that limits our ability to move dynamically as things change.

Q54 Charlotte Nichols: We have picked up a lot over the last few years from speaking to business and to some of our international competitors. The Committee was in Sweden earlier this year. They spoke about some of the work they have been doing, including fully zero-carbon steel and the commitments they have made around new nuclear there, for example. They are very clear, and credit their success in these areas to having a joined-up approach across sectors. There is a regular complaint about the lack of that kind of approach here in the UK. The hydrogen sector, for example, is one that seems to need the Government to take that first step in order to bring the sector forward.

Do you accept that a lack of industrial strategy here has been holding back some of the growth that the UK could be seeing in a range of different sectors?

Kemi Badenoch: No, because the activity is still taking place. We are still talking about the plans. The only thing that is missing is a big brochure that says "industrial strategy" on it. If you take all of the things, in their various guises, that we have been talking about over the last few years, that is what the industrial strategy is.

We had a 10-point plan. We had the advanced manufacturing plan, which I talked about. We talked about what we are doing on critical minerals. There is some work that we are doing on the trade side with the US. We are signing all of these agreements. There was hydrogen investment and a fund that we had. We have the ATF, the automotive transformation fund. We have the APC. We have put in place a lot of money to help businesses start and innovate in these tricky areas.

What we cannot do is just pay for everybody. We are not the Department for a bottomless bailout. There is a limited amount of money, especially



in these difficult times. We have to be really smart and make sure we are not paying for people to do what they would have done anyway.

Q55 **Charlotte Nichols:** Yes, certainly. I am not suggesting that everything should be subsidised, but surely strategic investment is driven by determining which sectors are the ones that the Government should be investing in, in order, therefore, to realise that growth and potential.

Kemi Badenoch: We have outlined the sectors. The Chancellor has given his five sectors. Advanced manufacturing sits with us, life sciences sits with DSIT and so on. That is very clear. The people who say we do not have an industrial strategy are just not looking at what we are doing. They are waiting for the paper that has "industrial strategy" written on it. The strategy is in place. It is happening and it is working.

David Bickerton: It also relates somehow to the way the Department has been put together. We are trying to offer a single front door to all businesses. We therefore have a view of the comparative advantages of the different sectors, what they need and what we think they need.

Out of that, we are pulling together an aggregated microeconomic view of the economy. You can then understand that, if there is a need for hydrogen, there is the net zero hydrogen fund, which is worth £240 million. We are trying to look at the policy levers that we and other Departments have and then work out how we can apply those most to grow the economy, grow exports and increase investments.

It comes back to that comment that was made at the beginning about how the whole Department pulls together. That is the strategy.

Q56 **Jonathan Gullis:** Secretary of State, the US Inflation Reduction Act will be packaged under the term "Bidenomics", which is becoming synonymous. We know it is something that is being considered by many in mainland European countries, as well as by the Leader of the Opposition, the right hon. Member for Holborn and St Pancras, as an economic strategy for growth. What is the Government's assessment of this type of economic impact? Is this something that you are personally a supporter of?

Kemi Badenoch: You are talking about IRA specifically.

Jonathan Gullis: I mean IRA specifically under this branding of "Bidenomics".

Kemi Badenoch: It is certainly not our strategy. It is not what is right for the UK. Other countries will do what they believe is right for them. It is not for me to criticise their policy. For us in the UK, certainly that is not a direction we will be going down.

Q57 **Chair:** Secretary of State, you referred earlier to the advanced manufacturing plan, which is due to be published alongside the autumn statement. What is advanced manufacturing?



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Kemi Badenoch: Advanced manufacturing is high-value manufacturing. It is not producing little bits and pieces that really create low-wage work. It is taking advantage of what we specialise in and what we are good at. It is about using R&D, innovation, the deep expertise we have in our universities and our relatively highly skilled population to create products that are meeting future technological demand and helping us to solve the problems of tomorrow, which are things like climate change and problems on the health side.

We would classify auto as advanced manufacturing because auto is one of the areas where we do have significant changes in the works. Aerospace would be another. Robotics would be another. It is quite a large grouping, a large area.

Q58 **Chair:** Secretary of State, is the focus on and praise for that sector dismissive of many businesses and workers who are really working hard to make their businesses competitive with a product that may not be advanced?

Kemi Badenoch: No.

Q59 **Chair:** Does the rest of manufacturing industry get a look in and the kind of support you were just talking about?

Kemi Badenoch: Remember what I said about targeted support. Where is the competition coming from? Where are the jobs in the UK? A lot of the low-level work in terms of producing low-value items is just not in this country.

Q60 **Chair:** It is coming back, of course. We saw that in covid as businesses were unable to get hold of those goods that they had outsourced.

Kemi Badenoch: I would not necessarily say it is coming back. A lot of those things require very cheap labour. They are not necessarily things that are coming back to the UK. We may be looking at other places. We are not reshoring, but there are a lot of changes and distortions in supply chains. If we are talking about supporting advanced manufacturing, that does not mean we do not care about other businesses, but Government cannot do everything.

All of those businesses would probably fall into the category of small businesses. There are interventions that we do about start-ups and scale-ups. We have an offer for everyone, but we have people asking questions about an industrial strategy. When you have an industrial strategy, that is the very risk you have. Once you put something down, anybody who is not in that list says, "What about us?" We need to be able to balance that.

Q61 **Chair:** I certainly accept that. Is it going to be ready for the autumn statement?

Kemi Badenoch: Yes, I imagine it should be.



Q62 **Chair:** Will additional Government support and investment be necessary to make it a success?

Kemi Badenoch: We will certainly need Government support. That is why it is our plan and not one from the private sector. I cannot go into too many of the specifics because we are actively negotiating with Treasury and consulting with stakeholders. We do want to have something to announce later on this autumn.

Q63 **Chair:** You rightly spoke about automotive being an important sector. You no doubt saw the debate that took place in the Chamber only yesterday.

Kemi Badenoch: Yes.

Chair: The future is electric, of course. Do you subscribe to the view that vehicle assembly will take place close to where the batteries are manufactured because batteries make up 40% of the cost and 40% of the weight of an electric vehicle?

Kemi Badenoch: That is certainly what business tells us will be easiest for them.

Q64 **Chair:** In which case, Secretary of State, as a West Midlands MP who argued the case for a battery plant in the West Midlands, let me ask you: why is the Government supporting a battery plant in Somerset?

Kemi Badenoch: I do not know whether the decision to place it in Somerset was one made by Tata or by us. Those discussions were already in place before I took on the role. What I would say is that these things do not happen in isolation. The company is not going to put a battery factory where it would not work. I am sure they would have factored that in.

Gigafactories are really difficult to get going. This is only the second one we have had. We will need to have many more, and we would want to see one in the West Midlands. For this specific decision, I am sure the company made the right calculations in order to determine where exactly it should be.

David might know more about how we arrived at the location decision. This might be a very personal thing from your perspective, but, as far as I can tell, no one has criticised the location as being unsuitable for any reason.

Chair: David, can you say a little more about this?

David Bickerton: I can say a little more. I know they need to be big, they need to have great grid connections and they need to be flat. Beyond that, our perception is that, if you are making the batteries in a country, you can anchor manufacturing in that location or at least in that country because, at the margins, the cost of transporting big, heavy batteries long distances is unappealing.



Q65 **Chair:** We have 40 GW coming in in Somerset. We have 20 or 30 being developed by Envision, or the potential for 20 or 30. Secretary of State, is there an opportunity for a further gigafactory in the West Midlands?

Kemi Badenoch: We will certainly need more. I am location-agnostic. I do not want to pick any specific area because someone else will ask why they were not mentioned. The West Midlands is obviously an auto hub. I am very certain that businesses and companies there are looking at their supply chain and will be working out exactly how they will ensure they are able to keep with the targets that have been set.

Q66 **Chair:** We have rules of origin negotiations taking place with the European Union, with a change that needs to take effect before the end of this year. Minister Ghani was with us last week. She was saying that negotiations with the EU always run until the last minute and they are likely to be concluded quite late. Are you confident that we will get the agreement that we need before the end of the year?

Kemi Badenoch: I am optimistic that we will get it, but, if not, we will need to do something else in order to make sure that we do not make decisions that are unhelpful to both sides.

One of the most interesting things is that the people who are most up in arms about this are German auto manufacturers. Certainly, you will have seen reported that my trade counterpart, the EU commissioner who covers trade, agrees with me. It is others who are looking at other matters who are finding it difficult to come to this conclusion.

This is not a UK-specific problem. It will be much worse for EU manufacturers. The argument I have been making to them is that these rules were made at a time when supply chains were different. If we keep them in place, we will be punishing manufacturers on both sides. The only people who benefit are Chinese manufacturers. That does not work.

Q67 **Chair:** There is a concern that the mass market in terms of EVs will be taken up by a large number of Chinese manufacturers that are ready to put inexpensive products on to the UK market. Does that present you with any concerns?

Kemi Badenoch: This is the point we have been making about making sure our supply chain is resilient. You will have heard enough conversations about China and how it poses us a serious economic challenge. We need to adapt to that. We do not want to be reliant on just one country, as we saw during the pandemic, for anything. We must have a diversified supply chain.

Q68 **Jonathan Gullis:** Secretary of State, the Atlantic Declaration commits you to consulting later this year on updating the export control regime and to consider how best to tackle sensitive technology transfers flexibly and rapidly. What is the strategic intent of this consultation? What type of exports will it cover? Who will be consulted?



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Kemi Badenoch: On the Atlantic Declaration, the Prime Minister has been working very closely with President Biden, officials in the White House and the relevant Departments in order to make sure we are dealing with this very issue that we talked about. How do we make sure our supply chains are secure?

It is about critical minerals. It is about ensuring that, when the US is carrying out its policy on IRA, it does not end up with unintended consequences that make life difficult for its allies. That is basically what the Atlantic Declaration is about.

It does have an element of defence and security collaboration as well. It is about improving the economy and the defence and security between the two countries. We want to co-operate on space, nuclear energy technology, powering satellites and space sustainability. It is trade as well as defence and security, wrapped up into one.

Q69 **Jonathan Gullis:** Is it fair to say that the US are the ones that are driving the proposed changes to the UK export control regime?

Kemi Badenoch: No, that is not right. Export control is a very sensitive area. There is often not that much we can say about why we are taking certain decisions because we need to keep certain things secret. We have our own security intelligence reports. We know what is happening, and we are making decisions.

Minister Ghani, for instance, is in the Cabinet Office on the investment security side. She is the Minister for Economic Security. She sits in two Departments. She has that cross-cutting Whitehall view. That brings the intelligence into our Department so that we are able to make decisions.

No, it is not something that the US is telling us what to do. We have to look after UK interests at all times.

Q70 **Jonathan Gullis:** What specific changes is the UK seeking from the US to ITAR and the Defense Production Act as part of AUKUS? What progress has been made and what obstacles remain?

Kemi Badenoch: I will need to write to you with the specifics on that. I do not want to speak out of turn. I am not looking after all of those areas. They are not trade elements, so I do not want to say too much.

Q71 **Jonathan Gullis:** We will look forward to the letter. Thank you. How will you measure the success of reforms to the UK's export control regime under the Atlantic Declaration and AUKUS?

Kemi Badenoch: This is something we keep under review. We are protecting national security, but we also need to make sure we do not do that at the expense of legitimate trade. It is a really difficult balance to strike, and we are not the only ones who have this issue. It is all of the AUKUS nations, for instance. We work together and we collaborate.



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If you need a metric for what is going well, you could look at where trade is coming from, how much of it is taking place, how much we are exporting, where is it going and the level of diversification. That is really what we should be judged on.

- Q72 Charlotte Nichols:** Secretary of State, we are going to move on now to some questions around labour markets. The response from the Government to our UK labour markets report recommendation that it should take a lead in protecting workers from the damaging effects of night-time working was to signpost guidance from 2006 and the working time directive. Given that night-shift workers are 37% more likely to have a heart attack and 44% more likely to be diagnosed with diabetes than day-shift workers, should there not be further research and action on this matter?

Kemi Badenoch: I would just go back to what we said in the response. We often have statistics like this that show that there are outliers, but we think the guidance that is in place is what can be done. If there are independent studies showing that there are very specific actions that need to be taken, we can look again. But I would say that it is probably micromanaging people's work to an extent that is probably unhelpful if you just look at them as night-time workers. That is a very wide range of different types of work that are taking place. That is not how I would approach it.

- Q73 Charlotte Nichols:** Considering that the UK has over 8.7 million night-shift workers, there has been a call for a designated Minister to hold responsibility for night-shift workers in their portfolio. Based on your comments just then about micromanagement, I am assuming this is not something you would welcome or recommend.

Kemi Badenoch: Do you mean a Minister for night workers?

Charlotte Nichols: I mean a Minister with a responsibility within their portfolio for night-shift workers.

Kemi Badenoch: The responsibility needs to be around sectors. DHSC looks after people who work in health. That will be people who work in the daytime or in the night-time. We look after retail, whether people work in the daytime or the night-time. If you then create a night-time working Minister, you are basically recreating the things we do on the equality side, where all you are really doing is providing broad support. That can already be done within our Department. If there is something specific within labour markets, it would just sit with the Minister who is looking after that sector. It does not need somebody else to look at that in particular.

- Q74 Charlotte Nichols:** You made a comparison there with the Government Equalities Office, which is able to work across different Departments on Whitehall. You do not think that would be of benefit to people who work in sectors that are covered by all sorts of different Departments.



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Kemi Badenoch: My point is that that person already exists in the person who is looking at labour markets. You would not have a Minister who was looking at a specific equality issue on top of the Equalities Ministers. You have the Equalities Ministers and then you have DfE looking at their angle and DHSC looking at it from their angle. You have a Minister who looks at the labour market, and then everybody can look at it again in the pillars of their Departments. Creating someone else to do night workers just duplicates in a way that would not add any value.

Q75 Charlotte Nichols: The working time regulations currently set out a requirement for employers to provide employees with a free health assessment “regularly”. This is a chance to identify and take preventive action on the many physical and mental health challenges associated specifically with night work. Could the Minister provide some clarity around how often these free health checks should be offered to night workers? Within the legislation at present it is an undefined expectation. It just says “regularly”. What would you understand that to mean?

Kemi Badenoch: I could look into that. I am not familiar specifically with what the guidance says. We can write to you on that point or I can get Minister Hollinrake to write to you, unless David knows.

David Bickerton: No.

Kemi Badenoch: It is quite a technical one.

Q76 Charlotte Nichols: Do you have an expectation about what would be best practice?

Kemi Badenoch: Not off the top of my head, no. I would again look to see what the guidance was saying and I would look at advice from officials who specialise in this area. At Secretary of State level, no, I do not have a particular night-worker guidance assessment policy.

Q77 Andy McDonald: If I could just comment, Secretary of State, 25% of the working population work a night-time shift and their health profile is infinitely worse than the rest of the population. I do hope that after this meeting you might want to reflect on how you might better address some of those deficits.

I want to move on to another labour market issue: flexible working. It has been proposed that secondary legislation be introduced to reduce the length of service that an employee must have before they can make a request for flexible working from 26 weeks down to day one. We heard evidence from Pregnant Then Screwed, who were quite eloquent in how they described the right to request as a right to decline. It has very little impact on flexible working. The right to request is effectively a waste of time. It would make much more sense and people would not waste their time if that was made clear at the time the job was advertised. Would you agree with that? Is that something you could explore?



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Kemi Badenoch: I understand the point that Pregnant Then Screwed is making, but, when we talk to businesses, certainly in meetings I have had, it is not a right to decline. Businesses tell us that the labour market is so tight as it is that they are doing every single thing they can in order to keep their workers.

What they would say in response to that is that it is about making sure that people understand the demands of specific roles. Quite a lot of requests end up becoming expectations, when it is not suitable for those particular roles. They have given me examples of how it ends up becoming quite a contentious issue. Staff do not understand what the right to request means. They think it is a right to have, even when it is unsuitable, which just creates HR issues for them. When I look at the point Pregnant Then Screwed has made versus what businesses tell me, I would err on the side of the businesses.

We have got to a good place on flexible working and labour market flexibility. We have made leaps and bounds in terms of what people can do. Not all of these things can be fixed by more and more regulation. We have brought in a framework where we regulate as a last resort, not a first resort. What businesses are telling us right now is, "You are giving us quite a lot to do. We need some time to deal with that," rather than us putting every new suggestion on board. We have consulted on this. This would have been before my time, but there was a consultation looking at that. We said we were not going to do that, and that is still the case.

Q78 **Andy McDonald:** The evidence is that we are not making sufficient progress on flexible working. There are not enough people doing it. We all understand the challenges there are in the labour market and I fully accept that there will be categories of work that are just not suitable for flexible working, but if we could identify those that are at the outset, it would surely encourage people to come into the job market into those positions and get people back into the workplace. Does that not make sense?

Kemi Badenoch: We are doing everything we can to get as many people as possible into the workplace. There are very high levels of economic activity, but businesses are not sending people away. Businesses are doing everything they can to keep their workers. While we understand that some people think this is a good idea, we do not think that, on balance, this is what is going to shift the dial.

Q79 **Chair:** Secretary of State, do you have any messages for both employers and workers about getting people back into the office?

Kemi Badenoch: Post the pandemic, we have seen changes in terms of how people work. Both businesses and employees need to adapt to that. Many businesses have found it really helpful in terms of managing their estate. It is a lot cheaper to run things. Some employees have not found it helpful. Many employees have found that the work-life balance is a lot



better, and some businesses would rather they were in the building a bit more frequently.

What I would say is that, from a Government perspective, making sure that people can go to work, be happy there and work for as long as possible is the key thing. We should not have to be stepping in to tell people what is right. Business knows what is right for business and what is right for them. We are probably seeing a hybrid method of working evolve. There are some people who are taking a few steps back. Younger people are saying they are not necessarily learning as much. Businesses are adapting to that. It is more of an observation than an instruction that I have for them.

Q80 Chair: Is the element of the tightness in the labour market encouraging businesses to be more flexible than they might have otherwise wished to be?

Kemi Badenoch: We do not know more about business than business does. They will be as flexible as they can be. If a business needs me to tell it to be more flexible with its workers, it is probably not going to be in business for very long.

Q81 Chair: I was thinking less in terms of Ministers telling businesses what they should do and more in terms of observing what is going on in the market.

Kemi Badenoch: Yes, but those are discussions that happen. You have a lot of business representative organisations. People talk to each other. It does not necessarily need Government to lay out what should be happening. There is enough being written about this in terms of reports, newspaper articles and so on. We will get to a stable state in terms of flexible working. Of the problems facing business, it is not one of the ones that is high up there. In terms of economic activity, it is about mental health and long-term sickness. That is what we are seeing.

Chair: That takes us neatly on to Mr Gullis's questions.

Q82 Jonathan Gullis: Secretary of State, what progress has been made on the measures announced in the 2023 Budget to increase labour market participation?

Kemi Badenoch: There are six Bills that we have brought in. Of those six, five have got Royal Assent. We are making good progress. My Department used a private Member's Bill, in co-ordination with MPs, to deliver some of those measures. We are in a good place on those.

Q83 Jonathan Gullis: We have seen a lot of reports with a 2 million headline figure in terms of sickness when it comes to inactivity. For transparency, I am supporting a campaign led by the Centre for Progressive Change, which also has the support of the right hon. Members for South Swindon and for Witham, regarding a reform of statutory sick pay.

At the moment, the cost of the current sick pay system to the



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Government is estimated at around £55 billion, when you add in benefit payments, NHS costs and tax forgone due to health-related worklessness. There was a Government study undertaken in 2019, a consultation on statutory sick pay, where 75% of employers surveyed said they supported reforms to sick pay.

The reforms would be, for example, to abolish the earnings threshold for statutory sick pay, extending coverage to almost 2 million workers; to remove the waiting period for sick pay for all absences so that sick pay is paid from day one instead of day four; and to increase sick pay in line with workers' wages to the equivalent of a week's pay at the living wage. Is that something the Government could get behind?

Kemi Badenoch: At the moment, we would consider all of those things. Those would be matters for the Chancellor and the DWP Secretary of State. Statutory sick pay is only one of the levers we have here, and many companies pay far more than that. I am very happy to look, but it is certainly not a commitment that I could make at this point.

Q84 Jonathan Gullis: Just to support your point, 66% of businesses provide more generous occupational sick pay schemes, either formally or informally, to their employees. This is really about the third of the workforce who tend to be stuck in lower-wage or zero-hours contract jobs, whether that be with Deliveroo, Amazon or other companies.

What other levers have you looked at around sick pay or sickness-related stuff? What engagement have you had with business around what the Government can do to help encourage those people who, once well, are fit to work to get back to work instead of being stuck in long-term absence, which we know has a particular mental health detriment when it comes to building confidence to returning to the workplace?

Kemi Badenoch: Occupational health is an area where we can investigate a little bit more. I am actively looking at advice on what we can do there. This is something that we know will help when it comes to economic activity. This is the point I was making earlier. It is less around flexible working because we have made so much progress in that area. It is in this space. We are actively looking at advice, but I could not give you further details on that as we have not come to any particular decision yet. It is something we are concerned about.

Q85 Jonathan Gullis: What are you hearing back from employers around mental health? I have been quite frank and open about my own mental health struggles and the term "mental health" can sometimes be quite a broad-stroke approach. For some people, they just need mental resilience over a period of time; some people might need emotional coaching. Everyone goes through highs and lows in life at certain points.

Are employers looking for the Government to do more or are they finding, in your opinion, solutions to be able to support their workforce with mental health strains? In some cases it could be isolationism post the covid lockdowns. In others it could be a fear of public transport,



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particularly for elderly people; when it comes to getting on a public bus network, they might be fearful of catching any diseases. Is there any work being done, or is this something where there should be a business-led approach with Government support?

Kemi Badenoch: I know DHSC is working on a mental health strategy, which will have an impact across the board in that area.

You asked about what business asks me. They do not. That is the truth. They do not raise mental health as a specific thing and ask what they can do about that. They raise general issues around recruiting. They talk more about the ageing workforce and the skills transition. Those things can feed into employee wellbeing. Specifically on mental health, they do not come to me. They probably think I am not the person to speak to about that, but they do not come to me.

Q86 **Chair:** Secretary of State, to follow that up, do you have any thoughts about the work that is being done to attract older workers into the workplace, many of whom left their place of employment during the pandemic but have not yet thought about going back into the workplace while they are still capable of doing so? Are businesses doing enough to attract those people in, given the tightness of the labour market right now?

Kemi Badenoch: Businesses are doing a lot. If they were sitting here, they would say that it is not the people who have left out of choice that are really driving it. It is the long-term sickness issue that is the key thing.

Q87 **Andy McDonald:** I want to move on to another related matter around the enforcement function. We concluded in our report that the enforcement of labour market rules was wholly inadequate. It was not because the enforcers or regulators were not doing the job; it was just because they were under-resourced and reform was not given priority.

We also recommended the establishment of a single enforcement body to bring together the Employment Agency Standards Inspectorate, the Gangmasters and Labour Abuse Authority and the national minimum wage team. We believe that a single organisation would provide clarity to those most in need and would offer benefits around the sharing of information. Why have the Government not made progress on the enforcement of workers' rights?

Kemi Badenoch: I am not sure whether that is a view I share. I have not seen your paper on the enforcement body. I am happy to look at that. I cannot give a more detailed answer.

In terms of enforcement, I know this is something that does take place. Having a single enforcement body and the mechanisms of how that would work is not an area I am familiar with. I would have to look at that or I could ask Minister Hollinrake to come back on it.



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Q88 Andy McDonald: Yes, if you could. Your own director informed this Committee that there were major deficits and it was a cause of considerable frustration.

On a related matter, what are the Government doing to tackle the issue of unpaid employment tribunal awards? Why have the Government not named any employers under the naming scheme for unpaid awards that they launched in 2018? Do you still intend to operate a naming scheme?

Kemi Badenoch: Again, I would have to write to you. 2018 was well before my time. I am not familiar with unpaid employment tribunal awards. It was not in the Clerk's brief of what we would be covering. It is not a question I delved into.

Q89 Andy McDonald: Please accept my word for it: it is not happening. There have been absolutely zero. We want to encourage people to pay up. It is hard enough for people to go to an industrial tribunal in the first instance, but then to get an award and not have it enforced absolutely frustrates the entire process. On this Committee we have seen a lot of evidence of people deliberately trying to flout and frustrate the legal processes.

Kemi Badenoch: I can take that one away and get you an answer.

Q90 Andy McDonald: Yes, if you would. If it could be re-established as an effective scheme, we would most welcome it.

I will move on to an area that is very much within your role, given your retained function as Minister for Women and Equalities. Following the amendments that were made to the Worker Protection (Amendment of Equality Act 2010) Bill in the House of Lords, where it was significantly weakened, do the Government have any other plans to protect workers from harassment at work by third parties?

Kemi Badenoch: The Bill is still going through the parliamentary procedure. It is one I have been supporting. I know there have been amendments, but the substance of it is still there. We cannot control what happens in the Lords on private Members' Bills.

Q91 Andy McDonald: It would be good to get your take on the watering down of the amendments. The definition "all reasonable steps" became "reasonable steps". It has started to weaken the architecture of the protection from harassment at work.

Kemi Badenoch: I recognise that, but we have to work within the framework that Parliament provides. We had worked with Wera Hobhouse on the text of the Bill, but, because it is a private Member's Bill, it is very difficult to make further changes.

"Reasonable steps" is a good place for us to get to. I understand some of the arguments around "all reasonable steps" as being something that goes well beyond even the original intention of the clause that was taken out. We have had lots of discussions and debates around it, but, given



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the level of opposition it had in the Lords, we need to look again at exactly how you deliver something like that. There is clearly a problem. Simply bringing it back again without resolving that would not be a smart way of delivering the outcome that we want.

Q92 Andy McDonald: Finally from me, on this Committee we have seen some appalling performances from certain witnesses. It is probably common ground that among the worst of all was Peter Hebblethwaite, the chief executive officer of P&O Ferries, who quite blithely told us that he was perfectly happy to break the law and price in the paying off of a workforce of 800 people.

Specifically around the P&O pension scheme, he said, "The liability for the pension fund, as I understand it, is a P&O liability. We have an agreement, and we will honour that agreement to make those repayments." You will have seen the articles in *The Times* and elsewhere. What ongoing discussions is your Department having with P&O Ferries to ensure that it honours the obligations it has to its workforce on pensions, annual leave and sickness pay?

Kemi Badenoch: My understanding is that, while we had a lot of discussion with P&O on the labour market side, on the pension side it was DWP. I can get a more fulsome response.

This Committee has heard the Government's view on the behaviour of P&O. It is not certainly any kind of behaviour that I would be endorsing. I can look into the issue in more detail to understand exactly where the liabilities are and what we can do. David might have something further on that that I might not know.

David Bickerton: No. There is obviously a lot we could say about the fire and rehire work and the Secretary of State's predecessor writing to the company—

Kemi Badenoch: But the pensions side is different.

David Bickerton: The pension fund is between the trustees.

Q93 Andy McDonald: It was not fire and rehire; it was fire and engage other people. We have to be careful about that. I would really be interested to know what the Department is doing around looking at the legislative framework because a company came into this Parliament and said, "We are perfectly happy to dismiss people in full knowledge that we are breaking the law because it is the cost of doing business." They got away with it scot-free. They not only got away with it scot-free; the parent company has benefited to the tune of tens of millions of pounds from this Government in the development of a port.

Given all the hand-wringing and gnashing of teeth at the time, we would really like to hear from the Government about what legislative response it is going to bring to bear. That could be retrospectively with the likes of P&O, but certainly we need to stop this ever happening again. Where



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they have led, other people are now following. They are looking at this as the price of doing business: abusing workers and denying them their rights.

Kemi Badenoch: It should never be the price of doing business. We have been very clear that the way they have treated their staff was disgraceful. We cannot do things retrospectively. Certainly, retrospective legislation is not the policy of this Government.

The challenge we have is that, with private company schemes, it is a matter between the pension fund trustees and the company. Where we can support, we will do so. Pension policy overall would be DWP. If we were going to change the framework for that, they would be the ones who would be leading on that. For us, it is about the labour market side.

We agree with you in terms of how they have behaved. They are taking advantage of loopholes to be able to do this.

Q94 **Andy McDonald:** What are you going to do about it?

Kemi Badenoch: As I said, this is not my policy area. We share your view that they have not behaved well.

Q95 **Charlotte Nichols:** I want to pick up on the point you made there, Secretary of State, around fire and rehire being something you do not consider to be acceptable practice. What are the Government doing in terms of legislation to make sure this is not something that we are going to see more and more of as things move on?

Kemi Badenoch: On fire and rehire, we have been very clear about how we expect companies to treat their employees. We have had multiple debates in Parliament about where we stand on that. The requests we have had were about an employment Bill, which we are not doing. We are not putting out an employment Bill. We have put out Bills around workers' rights using the PMB vehicle. The policy is not changing from there.

At the moment, the labour market tightness and inactivity is doing more to keep people in their jobs and getting good rates than anything else.

David Bickerton: It is probably also worth saying that Government have consulted on a statutory code on dismissal and re-engagement, which contemplates that it will set out what the employer's responsibilities are when seeking to change contractual terms and conditions of employment, so that dismissal and re-engagement can only be used as a last resort. At the moment, we are looking at those responses and we will publish a response and a final version of the code in due course.

Kemi Badenoch: There is a situation where it does work. It is about making sure people do not abuse it.

Andy McDonald: We heard from Asda that it did abuse it. It was not a last resort; it was the start of negotiations. We hear that time and time



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again. These negotiators come in the room with a loaded revolver and say, "You either sign here or you lose your job." That is at the outset, not as a last resort, as Mr Bickerton has described, quoting the code. That is the problem.

- Q96 **Charlotte Nichols:** This is the issue with the voluntarism approach from the Government around this issue. There is this expectation that businesses are going to do the right thing. The Government will condemn practices where companies have behaved egregiously but do not seem to be using the levers they have to address this behaviour. The lack of an employment Bill, despite this being something that was promised in successive Queen's Speeches, is something that really underlines the inaction from the Government in doing something substantial about this. Instead, as Andy said, they are gnashing teeth and wringing hands when time and again we see companies behaving appallingly.

Kemi Badenoch: We are using the levers at our disposal. What we are not doing is bringing in more regulation, because every time we do so, it has other consequences that are not necessarily part of the intention of the legislation. That is why it is a statutory code rather than an employment Bill. People do need to have some flexibility in order to save their businesses. We want an open economy. This is a capitalist country. We want businesses that are not working to be able to stop and start afresh. We want people to be employed.

We can see now that, in terms of the labour market, we do not have massive unemployment problems that others do. If this were a situation where there was large unemployment, companies would certainly have the upper hand. They simply do not. We can see that in all of the statistics and figures.

- Q97 **Jonathan Gullis:** Secretary of State, I am sure that a lot of businesses will have come to you to discuss the apprenticeship levy. In their opinion, it needs to be reformed. I have heard that in my capacity as co-chair, with Ms Nichols, of the APPG for apprenticeships. Is it your opinion that the apprenticeship levy needs to be reformed? Have you relayed that to the Secretary of State for Education?

Kemi Badenoch: Business certainly tells us a lot that they would like to see it reformed. We always pass those comments on to DfE. As you rightly said, they own the policy.

From my perspective, with my equalities hat on again, apprenticeships are a tool for social mobility. They really deliver. If you look at the Social Mobility Commission's report, which they launched last week, they talked, with a lot of evidence and in a lot of detail, about how we can make apprenticeships work.

DfE needs to look at how the apprenticeship levy is operating. I am sure they will continue to improve it as they see fit. We certainly pass on what business is telling us.



Q98 Jonathan Gullis: I recently co-authored a paper with hon. Member for Great Grimsby, "The New Conservatives' plan to upskill Britain", in which we outline, for example, having engaged with business, expanding the 100% funding for small businesses taking on an apprentice younger than 19 to include medium-sized businesses; looking at increasing the levy transfer to 35%; frontloading off-the-job training to help businesses when it comes to providing the skills necessary; looking at a more modular programme—I am sure those in the digital sector would love more of a modular approach to apprenticeships and funding; and looking at how they can upskill their existing workforce as well.

How is your Department working with SMEs in particular to look at how they work with apprentices and how they carry out skills training while also giving them workforce strength and ensuring that, when people are currently having to go off to college or have certain days out, that is not having a detrimental impact on productivity?

Kemi Badenoch: It is a great question. One of the things that your report pointed out was the disparity between university and technical education. One of the things we have to do is make sure the opportunities and pathways that are separate from just going to university are clear. A few months ago we had an event with DfE specifically to do just this. It was targeted at SMEs in particular. It was all about apprenticeships. It was all about how we make sure that businesses are skilling up their employees and ensuring that they see the various different options that are available, not just doing the milkround and going to universities to recruit.

We work with DfE constantly on looking at how we can improve the offer and understanding the skills mix that businesses are asking for so that they can feed that out to all of their stakeholders.

We also cover investment. That means we look at a lot of the investable propositions, to use that word, that people want to put their money into, whether that is the net zero cluster in Humberside or the life sciences sector. This is really about those five sectors that the Chancellor talked about as his key sectors and ensuring that all of this is being tied together across Departments in an end-to-end way.

Q99 Jonathan Gullis: Do you feel the Department for Education is listening to what you are relaying that business is saying to you?

Kemi Badenoch: We have frequent conversations with the Department for Education. We will find out in due course how they have assessed the points we have made to them.

Jonathan Gullis: I am very pleased to hear that, Secretary of State.

Q100 Chair: Secretary of State, may I just follow up by asking you about the skills deficit and the advanced manufacturing plan? We have already heard about young people being encouraged to study, get into university and then go into the professions. Manufacturing and advanced



manufacturing is not always a preferred route. We need to get more of our bright and capable people into that sector.

One of the issues is the perception of manufacturing. It is perceived as a dirty, horrible, grimy factory. You and I have both been and seen advanced manufacturing, and it is a million miles away from that. What more can we do broadly to change the perception of manufacturing to achieve some of these advanced manufacturing goals?

Kemi Badenoch: We need more higher education collaboration with the sector. That is something we do not necessarily do as well as other countries. On the trade side in particular, if you travel to the Gulf and look at how they do a lot of their co-operation between business and the university sector, it seems like there is quite a lot that we have to learn from them.

If you go to our engineering courses in the UK—I studied engineering—you will notice that there is a very large international component. People are coming from elsewhere to learn about these techniques and get these skills in our country. They just do better business and higher education collaboration. That is an area we want to emphasise.

Q101 **Chair:** Would it be good to get more school parties visiting some of our advanced manufacturers?

Kemi Badenoch: Yes, that would help.

Q102 **Andy McDonald:** Just quickly on audit reform, given the collapse of Thomas Cook, BHS, Carillion and now Wilko, why have the Government not published their Bill? What action is being taken on that? There is a cry out for it.

Kemi Badenoch: We have been working towards a Bill. This is something that we are negotiating for the next parliamentary Session, if there is time to get it into the King's Speech. If there is, that would be fine. If there is not, we will find other vehicles to deliver some of that.

Chair: Secretary of State, thank you for the time you have given us this afternoon. You have given us two hours of your time and you have answered all sorts of questions. You have very kindly offered to write to the Committee on a variety of matters. We look forward to receiving your letters with those details. Once again, thank you for appearing before us this afternoon.