House of Commons

Business and Trade Committee

Oral evidence: The Work of the Department for Business and Trade, HC 450

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Watch the meeting

Members present: Liam Byrne (Chair); Dan Aldridge; Antonia Bance; John Cooper; Alison Griffiths; Sonia Kumar; Justin Madders; Charlie Maynard; and Matt Western.

Questions 91 to 181

Witnesses

Rt Hon. Peter Kyle MP, Secretary of State, Department for Business and Trade, and Gareth Davies CB, Permanent Secretary, Department for Business and Trade

Examination of witnesses

Witnesses: Rt Hon. Peter Kyle MP and Gareth Davies CB gave evidence.

Q91 **Chair:** Welcome to today's session of the Business and Trade Committee. We are absolutely delighted to have in front of us the Secretary of State, Peter Kyle. We are very grateful you have brought your permanent secretary, Gareth Davies, with you today.

Secretary of State, thank you very much indeed for the work of your Department and for the co-operative relationship that you have fostered between the Department and this Committee. We are, as you know, in the middle of setting our priorities for the Committee's workplan in 2026. Perhaps you could help us with this by kicking off and explaining your priorities as you have come into the Department, and the key areas where you think Parliament needs to weigh in on the decisions that you have to take next year.

Peter Kyle: Thank you, Chair. It is a privilege to be here—thank you very much for inviting us. This was a Committee I sat on myself for six years.

Chair: All the best people have.

Peter Kyle: Indeed. So I have the utmost respect for the work that is done here and the amount of work that goes into making these Committees a successful and constructive partner. Now I am sitting before you for the very first time. It is quite an experience for me, so thank you.

My priority is quite clear. We inherited a growth emergency when we took office last year. Success among comparable economies has been good for Britain. We were the fastest growing economy in the G7 for the first six months of this year, but we need growth that businesses and people feel in their pockets and on their balance sheets. That growth can only come from the private sector. Unlocking that in the private sector will be my priority in this job. In addition, delivering on the Employment Rights Bill in a way that is true to our manifesto commitment and that recognises that this agenda is not a zero-sum agenda. It is a modern social contract that is pro business and pro employee too.

Expanding, deepening, fulfilling and fully exploiting our international trade relationships is key for me. Of course special situations will always become a priority for any Secretary of State who finds themself in the position that I am now. I aspire to be decisive and clear at such times, but also to do better at detecting the stress, acting earlier when those situations start to arise, and not allowing emergencies to stop my Department looking at the long-term strategic objectives that we have and working towards them.

It is my hope that I will be seen to be bold, creative and act with urgency in this role. We live, and operate as a country, in really challenging global times—in fact, some really unconventional times. This is something that I, in this job, relish. I have inherited a Department and a permanent secretary who also relish the challenges before us, because they present unique opportunities for an entrepreneurial country, as we aspire to be.

Chair, we have worked together and known each other for a long time. I have long benefited from the work that you have done, whether in writing or in Government. The same goes for the publications that have come from the Committee that you chair. I look forward to working very constructively on all these big issues going forward.

Q92 **Chair:** Thank you very much. What is your take on what is holding back growth in this country right now?

Peter Kyle: As I said, we inherited a situation where our country and economy is locked in this cycle of low growth and high taxation. It has also had a long period in which we have not had a fundamental rethink of the way in which we regulate the economy and planning is undertaken, so some of these fundamentals of the environment business operates within. That is why we have been hitting the ground running on all of these issues.

Some of the issues that we have undertaken—such as planning reform and infrastructure investment, whether building new runways, the Ox-Cam link, or building 1.5 million homes—are all incredibly important in their own right and will contribute to the long-term growth of the country, but I accept we need to make sure we act with more urgency to get growth into the economy and to tackle some of the barriers that sit in the economy today. I believe we can make more progress in the short term. That does mean being much more persistent, and acting with greater urgency when it comes to tackling some of the regulatory barriers, in particular, that are holding us back. I think we will probably talk about more of that through the session.

Q93 **Chair:** We will get into business costs in a moment. One of the chief arenas for business growth that this Committee is concerned about is high streets. We have had a number of reports in recent weeks after the red flags that we raised about the National Crime Agency, for example, taking on cash-intensive businesses on the high street and finding what are basically general crime emporia—companies that are not paying tax and are fronts for human trafficking and contraband.

We have had the National Audit Office already tell us that there is wholesale VAT fraud on the high street—which means that those who are, for example, selling services by the chair are undercutting legitimate businesses—and we have had Companies House just not moving fast enough to take out directors who help to perpetrate some of these illegal enterprises. What are you going to do to help make sure the high street is a better business environment? When we have had the police in front of us, they have said that, at best, tackling retail crime or crime on the high street scrapes into a top 10 priority for them.

Peter Kyle: I totally agree. The thing that I agree most with, in the way you framed your question, is that it is not one thing. Some of that strays outside of my brief and the role of this Committee when it comes to some of the crime issues and enforcement, but we have a Home Secretary who is determined and spoke powerfully on this in her first couple of days in the job after the reshuffle just six or seven weeks ago. Tackling high street crime and the environment that small traders operate within is a priority for the Home Secretary. That is something that I engage with her on.

When it comes to challenges faced on the high street, you will notice that in my first wave of regulatory reforms I tackle company reporting. The companies that will benefit most from that are small businesses. In some of the directors' reports, for example, people running independent coffee shops, which are a mainstay of every high street up and down the country, no longer have to submit the directors' reports. That is 200 hours of work that we found small businesses trading on the high street were having to do, even if they were just a single independent business. So some of the reforms that I have already undertaken have—not by accident but by decision making—targeted high street businesses, small businesses and community businesses up and down the country. That is a signal of how I intend to go forward.

Q94 **Chair:** Can you assure the Committee that you will work with the Home Secretary to crack down on the kind of disorder that is disrupting high streets as a place to do business?

Peter Kyle: I can. She will be responsible for dealing with crime in the high street. She does not need any encouragement from me. I do not want to give the impression that she needs me to tell her that this is a big issue that is experienced in every community. She experiences it in her communities and her constituency as well. But I can say that we have discussed this. These are things that we talk about and will work together on and partner with in any way we can that makes a difference.

We will come to the Budget soon, I am sure, but the issues that affect small businesses up and down the country are things that it is my job to advocate for across business. As the conversation unfolds there will be other areas where I want to be as active as possible using the learning that I had in my previous Department at DSIT, where I found ways to work in a meaningful and novel way between Departments. Those are the lessons I am trying to bring into this Department to see how we can do similar here.

Q95 **Chair:** What are the key messages that you have set out for the Chancellor as the action items that you want her to address in the Budget that is almost upon us?

Peter Kyle: It will be no surprise to anyone around this table that it is growth orientated. As I said, we inherited a growth emergency when we came to office last year. We need to see the benefits of growth. We have delivered growth comparable to other countries, but it is still not a growth that gives businesses enough confidence to unleash the kind of investment that we want to see. They are not experiencing enough difference in their balance sheets that they can start doing the kind of work that fulfils, I believe, what British business potential is. This is the nature of the conversations that we have.

The Budget will be an important one for our country, because we still have some way to go to stabilise the economy based on the inheritance that we had. We also need to make sure we get the incentives right and that we get pro-business measures right the way through the Budget. I can tell you again that she does not need to hear it from me, because we have a Chancellor who is driven by getting the No. 1 mission in Government—economic growth—right there in the Budget and beyond.

Q96 **Chair:** Can you assure us that business confidence to invest in our country will be higher after the Budget than it is today?

Peter Kyle: I can assure you that their voice has been heard loud and clear, both by me and within the Treasury by the Chancellor herself. I have been on many engagement programmes with her, and she does many without me. She hears these messages. I would say that business confidence has been growing throughout this Government, and it will continue to do so based on the measures that we undertake.

Chair: Let us get into one of the issues that you highlighted, which was business costs.

Q97 **Alison Griffiths:** I refer back to your point about the growth emergency. You did in fact inherit an economy that was the highest-growth economy in the G7 when you came to power. That is not a growth emergency. The Government have been accused of significantly increasing business costs over the last year—you will not need me to rehearse in how many places that has happened, but national insurance and business rates are a good start. Do you accept that, and how do you intend to fix it?

Peter Kyle: We inherited an economy that had come out of the highest interest rates for a generation and was ravaged by those challenges. It was still suffering the market consequences of the mini-Budget and therefore there was deep suspicion from within the markets. We were viewed with some suspicion from global partners for being an unreliable partner, and that was hindering the investment that we were able to attract from foreign direct investors. Of course, we also had the cycle of very high tax—it was at an 80-year high when we came in—and historic low growth. Those were the structural challenges that we inherited.

We have undertaken the largest programme of regulatory and planning reforms in that time, and those reforms will deliver when the legislation has gone through and is active and able to benefit the decisions that we take. In particular, to get house building and some of the infrastructure projects under way will be a huge boost for this country.

When it comes to regulatory reform, even in the short time I have been in this job, I have announced £240 million[1] of regulatory reforms that are going to benefit businesses large and small—but disproportionately benefit medium-sized and small businesses—up and down the country. At just over a month in this job, that is already a tangible impact and a sugar rush for businesses where they need it the most.

[1] The Secretary of State subsequently wished to clarify that the figure should be £230 million.

Q98 **Alison Griffiths:** I am not sure that "sugar rush" is how the businesses I speak to would characterise that tangible impact, not least with the Employment Rights Bill, which we will come to later. Sectors such as hospitality, and businesses like the East Beach Guest House in my constituency of Bognor Regis and Littlehampton, have told us that the changes that you have created are threatening their very survival. What are you doing, and what are you going to do, to ease that pressure?

Peter Kyle: As I have already said, we are undertaking a programme of reforms when it comes to regulation. We are looking intensively as a Department at how we can benefit traders up and down the country. I was born and grew up in your constituency—

Alison Griffiths: I know.

Peter Kyle: It is a constituency that I have a deep affection for. We are losing my family home at the moment because I lost my dad last year, who lived there until his death. Your constituency is one that is burned very deep into my heart, and I want to see it succeed. In my lifetime, I have seen the high streets that you were talking about ebb and flow; they have gone through periods where they have done better, and they have also changed, adapted, pedestrianised and moved on with the times—including a department store that was great and then closed down.

We know from the progress that has happened on Bognor Regis High Street that high streets evolve over time, they need support, and Government intervention matters. That is why we are doing what we can on rate reform, which is one of our manifesto commitments. To support to a greater degree smaller businesses, we are directing the British Business Bank to fund them so that they get the investment they need to upscale. Let us not forget that small and even microbusinesses need to export too, and there is huge potential in the export markets. The trade deals we have done with India, the United States and the EU—the EU in particular—

Q99 **Alison Griffiths:** With the best will in the world, we are talking about hospitality in this question.

Peter Kyle: We are, but these are also businesses, including retail, that now sell abroad and should be looking to exploit the opportunities that come from selling abroad. In the modern age, where that can be transacted via the internet and social media, there are great opportunities for all businesses, and they need to know more about them.

Alison Griffiths: They need to survive to do that. I am conscious that other Members wish to ask questions.

Q100 **Matt Western:** Welcome, it is good to see you. On small businesses and high street hospitality, some of the changes you have made are very welcome, but we had café owners before us a few weeks ago, and if you talk to the average pub in your town or city, they are really struggling. They may have covid loans, energy loans and, of course, national insurance contributions and so on. Business rates is a stand-out issue, not just for the high street and those small businesses, but major businesses with manufacturing plants or whatever, in terms of the uncompetitiveness that that tax creates. What have you said to the Chancellor about getting rid of it?

Peter Kyle: You would not expect me to give the specifics of my conversations with the Chancellor. As I said, I am determined that growth be the basis of every conversation that I have with the Chancellor. I see huge potential, currently untapped, for growth on high streets and in hospitality.

Q101 **Matt Western:** Would you lobby at least to bring changes to business rates as they stand?

Peter Kyle: We do not need to lobby the Chancellor on that because one of our manifesto commitments is to reform rates for high street shops. That is something that we will deliver, but everything comes back to growth, because our ability to grow the economy and get some increased revenue into our economy from growth is going to unlock our ability to invest, reform and undertake the structural reforms in our tax system that we have aspired to for a long time.

I hear you loud and clear. You will know that my constituency of Brighton and Hove is predominantly a night-time economy. Hospitality is a prominent aspect of our economy there. I am very integrated and in touch with that sector of the economy. I hear directly from people who run pubs and restaurants. I am not going to duck the challenges they face, and I am not going to duck the challenges that the hard, tough decisions that this Government have been made to take since we came to office have placed on that sector.

Q102 **Antonia Bance:** Welcome. When they came to see us, Nissan said that their Sunderland plant was the most expensive in the world for energy costs. We have a new support scheme for energy-intensive industries, but the British industrial competitiveness scheme consultation is not out yet. We have a timetable for the start of 2027. Frankly, a lot of industrial energy users are worried about whether they will make it to the start of 2027. Are we going to bring that forward? When are we going to get that done?

Peter Kyle: We are going to announce that as soon as we can; I would love to give you the precise dates. We have also made strident announcements in recent weeks. In just the week before last, I announced an upgrade—if you will—to the supercharger programme. That is reducing the costs of energy connection through the system from 60% to 90%. That is £420 million of investment into high energy-intensive industries up and down the country. That is going to be a significant impact. We are trying to get the BICS programme across the line as quickly as we can. That is currently being developed and, hopefully, ready to deploy swiftly.

We again inherited a real challenge on high energy costs. I am not going to resile from the scale of the challenge. We have not only the highest energy costs in Europe; in some cases it is double the cost elsewhere. It is a pressing challenge and also a barrier to increased investment. We had

£68 billion of foreign direct investment into our country in the first investment summit. We had a £150 billion-worth that came with President Trump's visit, and another £10 billion in the regional investment summit I was at a couple of weeks ago with the Chancellor.

Those are huge investments that eclipse the achievements of previous Governments, but we are not touching the sides. One of the barriers to increasing that is the cost of energy. I assure you we are doing everything we can now to get the subsidies to where they need to be, and to be creative, bold and urgent in how we tackle the energy cost crisis. We are also undertaking, via the work Ed Miliband is leading at the Department for Energy Security and Net Zero, to have the structural reform, so we can lower costs permanently for consumers and business.

Q103 **Antonia Bance:** Why are we waiting until the start of 2027 for relief for industry? There are ceramics automotive foundries in my constituency that need support now. Frankly, we should be moving faster than we are.

Peter Kyle: We have already announced measures that will tackle some of those industries. We have a specific set of packages for steel. Ceramics generally use gas, not electricity, but we are also engaging very fulsomely with that sector. It is a sector I care about deeply and I know how important it is to the Stoke area and the broader economy in the region. Those are the stand-out reasons that it would come directly to my desk and why I would like to take a leadership role in tackling them.

Some of the other areas that you have mentioned will be covered by the supercharger benefits and some of the other measures that are either under development or already being rolled out.

Q104 **Charlie Maynard:** I understand that the Competition and Markets Authority is currently running only four independent investigations, one of which is set to run for two years and eight months. The last significant fine was in October 2021. The activist chair of the CMA was fired in January and a former Amazon UK boss was hired in his stead. What message does that send to UK business and to global big tech? Why should people believe that this Government are serious about enforcing free and fair markets?

Peter Kyle: Look at what we have done with the CMA. We acted quite stridently quite early on to change the culture in the CMA and to set the expectation that investigations be sped up and the overall growth of our economy be taken as a priority.

However, if you listen and engage, as I do and did in this role and my previous one at DSIT, with big tech, medium tech, UK tech and tech all over in every way, shape and form, none of them would characterise the role of the regulators in this country as not interventionist enough. They would say that in some cases it is too interventionist. To me, that shows that we are not scared of intervening where we believe there are market challenges. The CMA, being an independent regulator, needs to make those decisions.

We need the expectation that market intervention is undertaken with cognisance of the full economic situation of the country, but also the expectation that inquiries need to be done as swiftly as possible, so that where there is no barrier to investment—

Q105 **Charlie Maynard:** Good, but why are so few investigations being done?

Peter Kyle: I would not say that the challenge is that not enough investigations are happening. The challenge is whether they are the right investigations to be undertaken.

Q106 **Charlie Maynard:** Okay, so why not do some quick and dirty market studies at scale so that we discover where abuses are going on and get into those, rather than these enormous two to three-year investigations, which are enormously expensive? Let's have a look around lots of different markets, because there are obviously abuses going on.

Peter Kyle: In the conversations that I have had with the chair and the chief executive and within my Department, I think we are getting that balance about right at the moment. If there are specific areas of—

Q107 **Charlie Maynard:** Live Nation—we've done that one—has massive market shares across the whole music sector. What about doing a market study of each of their market sectors? That would be a good start to see.

Peter Kyle: It is my belief that DCMS is responsible for that issue in terms of its relationship with that market and the input that it would put into the regulators to monitor it. I believe that there is legislation, or certainly action or policy responses, coming from DCMS to tackle some of the ticketing issues.

Charlie Maynard: The CMA has been looking into it.

Chair: The structure of the market is with the CMA.

Q108 **Charlie Maynard:** I believe it is the CMA's responsibility—is that correct?

Gareth Davies: It is a DCMS responsibility in terms of the sector, but the CMA looks at competition and economic regulation across the piece.

Charlie Maynard: That is what we are talking about here.

Gareth Davies: I think it is fair to say that both the chair and the chief exec would welcome any representations about particular areas to look at. As ever, within this, you need to balance the role of predictability and proportionality about where those investigations will make a difference. The ones you mention, with a two-year timeline, which does look like an incredibly long period, are on incredibly complex issues underpinning the Digital Markets Act and the role of things like search and the way in which—

Q109 **Charlie Maynard:** The one I was referring to was on vets.

Gareth Davies: Yes. If you speak to the chair there, one of the key tasks the Secretary of State has set the chair is to increase the speed at which these investigations are done. The challenge back a year ago was less about the rules on competition policy—it was about how it is done rather than the areas focused on. The concerns we heard from industry, on all sides, were about the pace at which these investigations were done, so I think your concern about pace would certainly be shared by both the chair and the chief executive.

Q110 **Charlie Maynard:** Our Committee has looked extensively into the Live Nation market shares. We have had a conversation at least twice now, haven't we? And we still do not have the CMA looking into the market studies—in the public domain, there is a lot of information about how large those market shares are. I don't understand why the CMA is not doing a market study of it.

Peter Kyle: All our regulators are independent of Government; they make their own decisions. I am happy, on behalf of my Department, to make representations if there is specific evidence from the Committee that you think the CMA should be looking at, and I am sure they will get back to you with specific reasons as to why or why not—whether they have or have not done so or whether they are open to looking at it.

You as a Committee will have a viewpoint into the economy that is different from mine at the Department. If you uncover areas where there could be market failure, of course I want to hear that, and I am pretty sure from the open way the CMA have engaged with me, in the weeks I have been in this job, that they would be willing to engage with you on those issues and speak in a private session or openly—whatever is appropriate for you.

Charlie Maynard: Thank you.

Q111 **Chair:** Next week, this Committee will consider a very short inquiry into what is going on in the ticketing industry in order to gather the evidence that we think the CMA may need in order to act. The question that Mr Maynard flags is obviously at the core of a wider question that you touched on in your opening remarks, which is around the Prime Minister's target to reduce red tape by 25% in the course of this Parliament. How are you going to deliver that?

Peter Kyle: You have already seen, in the couple of weeks I have been in this job, that we have hit the ground running in our Department. As I said in answer to Ms Griffiths' question, we have undertaken £240 million-worth of deregulation or regulatory reforms just in the first few weeks.[2] The thing that surprised me about this is that we were able to do it without any need for a legislative response.

We were able to do it just by taking a fresh look at some of the regulatory environment for which my Department is responsible. That is going to be £1 billion-worth of regulatory reform by the end of this Parliament. We now need to scale that up to the £5.5 billion[3] that the 25% reduction

[2] As with the footnote for Question 97, the Secretary of State wished to clarify this should be £230 million.

indicates, so every Department, every Secretary of State, is now tasked with looking at the regulatory environment in their own Departments.

You will remember that, when I was at DSIT, I set up a kind of taskforce—for want of a better expression—to look at the digital transformation of Government Departments, because not all of them had the right expertise in their Departments to start looking at some of the knotty challenges that are involved in digital transition. That was highly successful.

I am looking at whether DBT, with our experience in regulation and regulatory reform, can similarly set up some kind of resource with which we could then assist other Government Departments to look into how we can undertake an assiduous and rapid review of some of the low-hanging fruit—some of the things that could be done immediately—because if I can find £240 million-worth in my Department in a month, I think you can bet your bottom dollar that most other Departments could do similarly.

We need to fire the starting gun on a programme that embeds regulatory reform into every Government Department. These various programmes are already under way. We are looking, as a Department, at how we can play a much more assertive role in that; and I can tell you, from my discussions with individual Secretaries of State, that there is a lot of demand for this kind of work already in the system.

Q112 **Chair:** Which Departments are farthest behind?

Peter Kyle: I wouldn't say that, tempting though it is for me to do so.

Q113 **Chair:** We can give you our list, if you want.

Peter Kyle: You are very welcome to pass a list over, and I will read it privately and act on it where I see the need, because I do care very deeply about this. Some Departments are regulatory-heavy, and there are lots of reasons why that happens. In my view, regulation appears like sediment—layer after layer, with Government after Government having different approaches—and little is taken away. There is also an issue with the culture of regulation, which we as a Government have tried to tackle at the macro level by insisting that regulators are cognisant of the need for growth in the decisions that they take.

As I said to you privately in the meeting that you kindly had with me recently, Chair, when I sat on this Committee, I was privileged to be on inquiry after inquiry into market failure, from Carillion to Pizza Express and all sorts of different failures in the economy. Regulator after regulator, from Ofgem to the FRA and many others, came before the Committee to apologise for market failures in their regulatory environment, but not one apologised for going too far in the interests of the market that it represented, or of consumers or those who depended heavily on the market.

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[3] The Secretary of State subsequently wished to clarify that this figure should be £5.6 billion.

Q114 **Chair:** You will know, because you hear the same things that we do, that what businesses complain about more than anything else is the fact that they have to deal with three or four different regulators in three or four different Departments. The Departments do not talk to each other and the regulators do not talk to each other, so the burden falls on the business to do the co-ordination. The CBI says that, on average, its members deal with three different regulators. As a Committee, we have said that a clearing house is needed to solve conflicts when one Department does something at odds with another Department. How will you knock heads together across Whitehall and across regulators, so that business does not go round and round in circles, just because—to pick some at random—the DFT does not agree with DEFRA, which in turn does not agree with DESNZ?

Peter Kyle: Again, you are completely talking my language at the moment—in fact, you are pushing my buttons—because this is something that I am zealous about in public and in the Department. We need to tackle the specific challenges within the regulatory environment of each regulator, but increasingly the issue that you have identified, which is about cross-sectoral innovations coming into our economy, is almost all in the high-growth areas. It is emerging for AI, technology, automation, life sciences, some of the cutting-edge biomechanical work that is happening, and space.

All those areas are, by definition, cross-sectoral. In my previous role and in this one, for example, I found one innovation that needed 12 separate compliance regimes from 12 separate regulators. Is it any wonder that that company might think to take its work abroad to get regulatory compliance elsewhere and to commercialise it elsewhere?

Q115 **Chair:** I think so. You helped to sponsor a solution to this in the Regulatory Innovation Office, which has a perfectly good chair in Lord Willetts. However, when this Committee recommended that that approach be taken more broadly, the Department rejected it.

Peter Kyle: That is certainly not the case now. In fact, we are looking quite carefully at the work. What I do not want to do is to overburden the Regulatory Innovation Office from the outset. It is doing incredible work and upscaling its work rapidly. David is doing a phenomenal job. It started with a pilot in four areas, which was appropriate: space, AI, automation, and life sciences and biomechanics. It also took on areas of fintech, so it is broadening its work. I want to see whether it can not only look at specific innovations to expedite through the regulatory landscape, but start to innovate in the way that regulation is undertaken in the first place. I am not having formal conversations with RIO at the moment. These are conversations that I am sharing at a very early stage with the Committee—conversations I am having with Gareth and others—but we need to look.

What you have just done is to look at the regulatory landscape through the eyes of companies and innovators, and that almost never happens in Government; we look at it through our silos downwards. When looked at in that way, we see not just different compliance regimes that are sometimes contradictory, but entirely different cultural approaches to regulation itself, based on when—sometimes—the regulator was set up.

In the work we are undertaking, we are looking to achieve the reforms I want without the need for legislation, so that we can get it done rapidly. Some regulators were set up in the 1940s and ’50s. They have arcane governance procedures that are a barrier to them not just delivering swift decisions, but making functional decisions and operating in a way that is relevant and explicable in the age in which we live.

If you are an innovator, a company or somebody who is trying to commercialise—whether it is dual-purpose technology or cross-sectoral technology, which is exactly what we need to be the best in the world at—it is increasingly mind-boggling and infuriating. I hope that, when they engage with me, they see that we sense that, and that we are trying to respond with the urgency that the situation requires. This is the work that I would love to work closely with the Committee on.

Chair: The Committee may spend some time on that next year.

Q116 **Antonia Bance:** Turning to the industrial strategy, 4,000 businesses contributed to the consultation, which was published in early summer. Secretary of State, what are your key priorities for the industrial strategy?

Peter Kyle: Implementing it—getting cracking with it. You have already seen some of the responses that we have had, with the regulatory reforms and others. You have seen how we have responded and put the industrial strategy into action, including the JLR response.

The response to and support for the automotive sector was laid out in the industrial strategy. You have seen the industrial strategy being used in a creative way in that period so that people and businesses can see the kind of response that they will get from me. All these things are consistent with the industrial strategy and the way that we are able to deliver long-term policy.

I can also tell you that the industrial strategy is unlocking investment in our country. At the regional investment summit, I spoke with an American investor who is potentially investing billions into our economy. He said to me that one of the reasons he is so keen and happy to invest here is that, although there has been a change of Secretary of State, the fundamental policies that brought him to look at investing in the country in the first place remain essentially the same.

Of course I will have different priorities, but the industrial strategy is an incredibly important aspect of why people are increasingly looking to invest here. Incidentally, the same person said, “From our perspective, being abroad, this is a great place to invest; I don’t know why there isn’t more excitement around your economy at the moment.” I had to explain to him about British culture.

Q117 **Antonia Bance:** Building on that, one of the things that this Committee continues to worry about is making sure that the industrial strategy is understood as being the priority across the range of Departments that touch the industrial strategy's eight sectors. We are again beginning to see some things where it feels like some other Departments have not quite read the bits of the industrial strategy that they need to.

I think, for example, about the decision to change ECOS, the employee car ownership scheme, which we know will have an impact on car manufacturing. I think about the floating over the weekend of changes to electric vehicle mileage pricing, which again is a cold chill across our automotive manufacturing sector. I think about the Treasury decision to float changes to landfill tax, which is causing real concern for the metals production sector in my constituency as well as for construction products. Have other Departments understood that they need to work to the industrial strategy, and what are you doing to make sure they get that?

Peter Kyle: Thank you; there is an awful lot in there. The first thing is, yes—and this comes from the Prime Minister down, not just from me—the importance of adhering to the spirit as well as the policies of the industrial strategy is something that the Prime Minister reinforces at Cabinet. Regarding Budget conversations, I am not going to speculate on some of the things I have seen being floated in the media, but it is a core principle that we support the automotive industry. You have seen the actions I took with JLR, which underscore the extent to which I am willing to act quickly, creatively and boldly to support the automotive industry.

I have already undertaken trade visits to three continents in the time that I have been in this job, and automotive featured in all those visits, including in China, where there is interest in investment in the automotive sector in the UK. The automotive sector is very well represented in Government. Whenever there are changes to any incentives, tax, investments and so forth, I make sure that the industrial strategy is a voice that is heard around the table. The needs of the automotive sector to remain modern, to remain relevant and to be at the cutting edge of the global market, not just domestic one, are extremely important.

Q118 **Antonia Bance:** Thank you. I want to put on record my thanks for the work that you, your staff team and your civil servants did to ensure that we got to a good solution for JLR. I think many Governments would have just allowed the market to take its course, and this Government did not. Having said that, what are you doing to make sure that the JLR second and third-tier suppliers are able to survive the continuing effects of the cyber-attack? I have many businesses in my constituency in tiers 2 and 3, and the money is not trickling down yet.

Peter Kyle: First, let me take the opportunity to say directly to those companies that I see, I listen, and I am very aware of the stress in the supply chain for JLR, even now that production has resumed and is still scaling up—I am very aware of it. There have already been conversations this week from my Department trying to get updates on the supply chain. There are well over 2,000 companies in the supply chain, so I don't think you or anyone would expect my Department to be individually in contact with each of them.

Q119 **Chair:** But are you worried that the money is not getting through to the second and third tiers?

Peter Kyle: I have constantly been worried, in all the actions that I have taken since day one in this job, which was when I was first briefed. The cyber-attack occurred just a couple of days before I took office, so I was briefed on it on day one, but I then needed to understand the extent of the challenge in order to build an appropriate response for it. When I put together the package, which was a bold package, it included a requirement for JLR to undertake support for the supply chain. It announced the factoring scheme at the same time, or just a couple of days later, after my announcement was made. That goes to tier 1, with the expectation that money should go down to further tiers.

Q120 **Chair:** As we sit here today, are you satisfied that JLR is flowing the money to tiers 2 and 3 in the way that you had hoped?

Peter Kyle: First, let me reinforce or strengthen your question by saying that it is JLR's responsibility. It is a private company with a private supply chain, and I have done a great deal on behalf of this country to stand behind JLR and enable it to stand behind its supply chain.

Chair: JLR must have made commitments to you when that deal was done.

Peter Kyle: It did make commitments to me.

Q121 **Chair:** Has JLR lived up to those commitments?

Peter Kyle: The commitments that JLR made were that there would be the factoring scheme, and that it would take steps to support the supply chain. Let me just say this in its defence: Mr Byrne, you know how deeply embedded the JLR supply chain is in the culture of the region, as well as its economy, JLR feels that responsibility to the economy of the west midlands very deeply.

Having said that, I needed to reassure myself that I was doing everything I possibly could to require JLR, in return for support, to support that supply chain as much as possible. There was nothing that we could do that would alleviate all stress on the supply chain; there was everything I could do to incentivise JLR to support its own supply chain, and that is what I did by maximising the pressure and requirements that I could in return for the facility to launch it.

Q122 **Justin Madders:** Good afternoon, Secretary of State. You have clearly articulated the importance to yourself of the second and third-tier supply chain. Are you able to put a number on how many businesses in the second and third tiers have now been financially supported via JLR?

Peter Kyle: No, I cannot say how many. The ultimate challenge is to get production up and running again so that it is not just financial support, but they are actually doing business. That has been my primary concern. The factoring scheme has enabled businesses to be paid in advance for work they will do into the future. That was a creative way of JLR being able to support the supply chain through the functional use of a supply chain. I don't know how many companies beyond tier 1 will have been touched directly by the factoring scheme.

All I can say is that I have said, in public and private and in every way that I can, that if a business is in acute distress, it must of course be in touch with JLR directly, and it can also use my Department to try to understand the nature of its distress.

I will be welcoming in trying to see whether there is something that my Department can do creatively to alleviate it based on the different circumstances that will be faced. That is not a guarantee, and it is not one response. It might well be that I use the power of my position and the Department simply to get it on to the radar of JLR. My Department has been entrepreneurial and creative, while also opening our doors as wide to JLR and the supply chain as we can.

Q123 **Justin Madders:** Have any businesses contacted you in that position? In terms of JLR's commitments to second and third tiers, is there any way that you can satisfy yourself and us that they have met those obligations?

Peter Kyle: I believe that 56 or 57 companies have availed themselves of the factoring requirement. That is tier 1. How many go beyond that is quite difficult to ascertain, because production has now resumed. I don't know exactly how much factoring has been made available and how much is just getting down the supply chain because of the resumption of production—I don't know the distinction.

Again, these are responsibilities for JLR as the business that is atop this supply chain and has been since day one. Government have supported JLR by embedding NCSC teams and National Crime Agency teams, and my Department has been in iterative contact with JLR since day one of this attack, through its resumption of business and getting it back on its feet.

I went to visit JLR. I sat with workers and unions, did a roundtable with tier 1, 2 and 3 suppliers and visited one of the suppliers myself, to get as much information as I could and to be directly available throughout the crisis.

Matt Western: Just to elaborate a bit more on that—as you will appreciate, Secretary of State, it is so important—speaking to organisations such as the Confederation of British Metalforming and others, they are saying, "Don't get us wrong, the Government have done a great job with the OEM at tier 1, but the real crunch is coming at tiers 2 and 3."

Take a company that has maybe 100 staff and a £15 million turnover—perhaps a small family business. They cannot get loans against their homes; they do not want to do that and the lenders do not want to do it either because there is a real fragility and nervousness out there.

The point is this: is there a mechanism by which Government can actually work with JLR to make sure that moneys do go through to those companies, maybe through other channels, to avoid what could be catastrophic—and not just to JLR? As you well understand, they supply not only the automotive sector, but other sectors as well, and we cannot afford to lose them.

The final request is that, next week, the all-party parliamentary motor group is looking precisely at this. We have tried to get a Minister to come to it. We will have representatives from the supply chain companies there. Can you please change some diaries around and ensure a Minister is there at that meeting to hear directly from those companies?

Q124 **Chair:** "Yes" is a good answer.

Peter Kyle: Yes, of course I will. I will certainly see what I can do with the diaries.

Q125 **Alison Griffiths:** I just wanted to come back to the point about support for the industry. As you have said several times, this is a private industry and a private business. What are the criteria that you set around Government support? Many businesses, and many of the second and third tier suppliers that you would expect to be in favour of the support you are giving, understand that businesses need to be responsible, because they are businesspeople. Have you not just disincentivised the boards and the CEOs of pretty much every other private business from taking cyber seriously?

Peter Kyle: Your question is really important, and I considered it very deeply way before I started designing the scheme. In fact, I considered it quite soon after the cyber-attack happened. There is no algorithm or equation that I can use at times like this, but anybody looking at how these special situations unfold will see that I look at the volume of employees, regional implications, and at national security and national resilience issues when those come up. Then I look at what, of course, ultimately comes down to the judgment I take as Secretary of State.

Some of the areas we have intervened on, and that I would intervene on, are quite small companies with a small number of employees, yet they are important when it comes to national defence and resilience in a time of crisis. JLR is not just embedded in, but vital to the west midlands economy. When you heard the contribution a moment ago from Mr Western, I would have expressed his comments as saying that, in the automotive industry, many of those tier 2, 3 and beyond suppliers are actually supplying other parts of the automotive industry—BMW and others—

Alison Griffiths: Some, not all—some are 100% into JLR.

Peter Kyle: Of course; many are. My point is that some are actually providing 25% or 20% of their business into another automotive company but, if the supply chain for JLR goes down, they are not able to keep production up for just the small amount required for other parts of the automotive industry. If I had not intervened and kept that supply chain available, it would not just have been JLR that went under, but other automotive companies as well. The point you raised about a moral hazard was the one the *FT* raised, but I fundamentally disagree with its editorial stance.

Q126 **Alison Griffiths:** The question I ask is on criteria. On day one, the first time you get a cyber-attack, your judgment is to support that industry. Tata, JLR's parent company, has very deep pockets, and it has involvement in cyber. I suppose the question must be: why are we not expecting the primary business itself to shoulder the burden?

Chair: Briefly, please, Secretary of State, because I will move us on.

Peter Kyle: It is shouldering it, and it will shoulder it. Even if it draws down on the facility I made available to it, that will have to be repaid. This is not free money. In no way am I alleviating the consequences that JLR will have suffered as a result of the cyber-attack.

What I have done is preserve the company and its supply chain into the future. That is not consequence-free for JLR, and, as I said, there is no equation or algorithm by which I can make those decisions. If any other businessperson out there looks at the actions I took and thinks that this gets them off the hook for having to undertake a very serious, deep look at their cyber-resilience, they are very sorely mistaken.

Q127 **Chair:** The takeaway from this conversation is that the Committee is concerned about cash flow for tier 2 and tier 3 suppliers. It is obviously a matter of concern that you have not necessarily got full transparency on that. The commitment you have made to listen to businesses that encounter distress is a point well made, and I hope that is something that can be conveyed loud and clear throughout the JLR supply chain.

Peter Kyle: May I add one thing? When the cyber-attack first unfolded, the Department and I asked for a list of the supply chain. You have to understand the nature and extent of the attack: it took out all systems in JLR, and its information on its own supply chain was kept on systems that were taken out. It could not even supply that to me. I would have been quite happy for my Department to allocate resources to contact suppliers directly, but we could not access that. That is why this was such a deep, existential challenge.

Q128 **Chair:** Presumably, those systems, and therefore that knowledge, are back online.

Peter Kyle: Indeed. The supply chain was manually resumed, and—I am sure JLR will come before you at some point—the lessons that come from this are deep. I want the private sector to learn the lessons from this, M&S and other attacks, because the way you build resilience in the private sector right now is evolving very fast.

Chair: We will have a whole report on that for you in about two weeks' time.

Peter Kyle: I hope you are keeping a manual copy of it as well, as a back-up.

Q129 **Sonia Kumar:** Women-led businesses launch with 53% less capital, and only 2% of venture capital goes to women, compared with men. How will you close the gap so that those stark inequalities are reduced?

Peter Kyle: This is something that I care very much about. Again, when I was at DSIT, I was struck by the lack of representation of women in the tech sector. I did a lot of work in my then Department on that. I am very pleased that the British Business Bank has now taken this really seriously. We have allocated £100 million towards a taskforce for women's involvement in venture capital and financing in this country. That now totals £550 million, and that scheme is just the start.

We are looking at using the work we do and embedding the need to support women throughout it in a meaningful and non-tokenistic way that acknowledges the barriers to representation. Our economy is missing out on too much talent, simply through how certain schemes and cultures are embedded in our economy. I am proud that this Department is acting with its resources to tackle it.

Q130 **Sonia Kumar:** In 2019, the Rose review said that £250 billion could be added to the UK economy if women started and scaled businesses at the same rate as men. You have talked about the British Business Bank, but what levers can we pull to ensure that there is data on investments going to women when looking at how start-up loans and banks operate? When decisions are being made, a lot of them are made by men; therefore a smaller amount will go to women and women have more loans rejected.

Peter Kyle: I accept the point. There is a lot more that we can do, specifically on monitoring data, because monitoring data can itself change behaviours. That is something that I will take away. Gareth may be able to add something on data collection. I am not aware of all the areas of data that we do or could collect, but it is something that I am willing to take away.

Gareth Davies: To add to what the Secretary of State said, I would not underestimate the focus on this within the British Business Bank. There is a refreshed management team there and the strategy director is very focused on this issue. They are now collecting more data to understand the gender and geographic split with greater granularity. Historically, venture funding has been incredibly focused on several different criteria, including geography, gender or race. Given the growth emergency, as set out by the Secretary of State, we cannot afford to leave that talent on the bench.

Peter Kyle: There is a venture capital unit within the Department for Business and Trade. It is about to announce and undertake its second female cohort of funders within that unit. There are specific work programmes such as that where we are trying to embed the kind of work that you are championing within the Department itself.

Q131 **Sonia Kumar:** Looking at regional issues, cities have a lot more funding when it comes to access to finance. Similarly, on procurement, the Committee has noticed that larger companies monopolise procurement and smaller SMEs do not get access. How are you going to ensure that we streamline that process so that small SMEs get a good bite of that pie?

Peter Kyle: This is a great Committee. In my day, I had to fight to get the Committee to talk about regulation and procurement because it was not seen as being "retail" enough. Those are things that I care very much about. The Procurement Act is now on the statute book. We now have access to it—because it took quite a while for some measures to come into force. My Department is now assiduously looking at how we can assertively use the powers that we have.

When you look at how some procurement has evolved over the years, it starts to look a little in the territory of a cartel. You see very large companies with entire departments for engaging with Government, learning the legislation and cultures to try and stay ahead of procurement rounds. Suddenly, you notice that one drops out and another steps in. Those are things that I have noticed over the years and am very concerned about.

Some of the powers that come in with the Procurement Act 2023 enable us to start assertively using British businesses with more prominence, assertively making the requirement that SMEs are more integral in the procurement process, but also that, when we have a large prime—because we will always need large primes—their relationship with SMEs in their supply chain is a factor in how the procurement process is put together.

If there is any anti-competitive behaviour within the procurement landscape, it needs to be looked at. It is interesting that, in some of the private meetings that I have had with the CMA, those are issues that, unusually, they are now looking into. It is an important aspect of how we throw open the economy to businesses that for too long have been shut out, and I do not believe for the right reasons.

Q132 **Sonia Kumar:** Would you be open to putting out data looking at where procurement and SMEs are for women and ethnic minorities? We know that it is quite stark.

Peter Kyle: Of course. I will be open to any representations that you make, personally as an MP or as a Committee.

Q133 **Antonia Bance:** I was very glad to hear what you had to say about using procurement in a muscular fashion to buy British wherever possible. That is absolutely is what we should be doing. Following the Government's decision to take over British Steel earlier this year, what sovereign capabilities do you think we ought to have in the United Kingdom?

Peter Kyle: We are looking intensively at this at the moment, and we have been for some time. We are working flat out on the steel strategy. Chris McDonald is doing a great job on it. The steel sector has a true advocate with real, deep experience on its side in Government. I am blessed with an extraordinarily talented ministerial team, for which I am very grateful. The steel strategy will address a lot of those issues. I cannot wait for the steel strategy to get out the door.

Q134 **Chair:** When is it going to arrive?

Peter Kyle: Oh, soon. That expression that you used—

Chair: Before Christmas?

Peter Kyle: I am certainly aiming for that.

Q135 **Antonia Bance:** UK Steel has warned that the EU's proposed tariff increases to 50% could be disastrous for domestic producers. What concrete steps have you taken on that?

Peter Kyle: We strengthened our current steel safeguards earlier this year, so we have not been resting on our laurels over it, and of course we have launched a call for evidence on steel trade measures. I am looking very carefully at that. I have spoken to Maroš Šefčovič about it directly. Nick Thomas-Symonds, who leads on the EU relationship, has done so, similarly, and he is raising steel with them. We know that the EU has committed to going through the WTO. We want to make sure that that process unfolds fully.

Our steel safeguards will expire mid-next year. I am thinking very carefully. I am working up what our response to that is going to be. Let me be candid: we are engaged in multilateral discussions about this through the usual channels, including the WTO, but we are also engaged in bilateral conversations with both the US and the EU when it comes to steel. Our settlement with the US was the best that any country in the world has managed to negotiate. We are engaged in conversations with the EU right now—and they are ongoing—about the implications of their actions. I am working out what my response to that would be, but I hope that we can come to a settlement before any of those sorts of measure would be needed.

There is a lot of volatility in the global market. The steel strategy will be a very important moment for our steel sector, as we get it right domestically for the moment that we are living in, but also look at how we build resilience in our global relationships. Ultimately, like-minded nations need to come together to tackle the challenges of the global market, which is dysfunctional and negatively impacting our market and those of our partner countries. We should be working together on them.

Q136 **Chair:** Does that mean that you are confident that the proposed EU tariff of 50% is not going to happen?

Peter Kyle: I would be foolish to use any word like that, when you look at the instability and the challenges that we have in all of these relationships at the moment. All I can say is that we are engaged fulsomely, and our views are heard loudly and clearly. Not only are we looking at the issues in singular terms, but we are simultaneously trying to look at what a more permanent solution to the global market challenges could be. That is because what we really need for our domestic steel industry is certainty, stability and dependability into the longer term.

The tariff regime, the tariff changes and the oversupply are causing such dysfunction in the global market that it makes it very hard for me to come up with domestic solutions to these challenges when the international forces are so strident. We are working in the short term to devise any measures that will protect the British steel market, while simultaneously working bilaterally with both the EU and the US to see what a longer-term solution to these challenges could be.

Q137 **Antonia Bance:** The key question is this. As we face next year's EU summit and the further expansion of the agreements that we saw this summer, which are being led by the Cabinet Office rather than by your Department, many of us have quite high hopes that steel and chemicals may well be some of the industries that can be helped by further agreements around co-operation with the European Union. Would that be your expectation?

Peter Kyle: I am doing everything I can, and this Government is, to make sure that your high hopes become a reality.

Q138 **Sonia Kumar:** Dudley College will be one of the new construction colleges to skill up the new generation of electricians and all sorts of others in the economy. However, the Department has had no role in the skills White Paper. How can employers now be confident that the skills system will be adequately reflective of the needs of the future?

Peter Kyle: We are not a delivery partner in the skills White Paper, but our voice was heard very loud and clear throughout the development of it. As I said, our job at moments like this in Government is to make sure that the needs of business are heard loud and clear. With the creation of Skills England and the way that other parts of Government are developing their skills agendas, the voice of business is heard loud and clear and in a very functional way.

If you look at the way the Government is responding to the skills needs of the moment, you will see that AI skills have been moved out of DFE and Skills England, and moved into DSIT. That shows how creative these responses are and how creative the Government is willing to be when it tackles the skills requirement. They are becoming a delivery partner for the first time ever, delivering skills upgrades and skills support to 1 million students and 7.5 million people in the broader economy, by co-ordinating those private sector companies that are doing a lot of skilled work across the economy.

It has never been co-ordinated before, but the private sector itself undertakes an astonishing amount of skills development. Making sure that that development is co-ordinated and that standards are high right across the economy, that will mean that people who are getting skills investment in the workplace, outside the workplace, in further education or elsewhere are getting similar responses wherever they live across the UK. That is something that I am really determined to do.

Q139 **Sonia Kumar:** Just to follow up on that, there are 18-year-olds who would love to open a business. How do we make sure that they can go and deliver in a different way and open their own business without needing to go into employment or work for somebody?

I feel that this is a massive gap. Whenever I have done roundtables in my constituency, I have spoken to businesses and to young people who have really innovative ideas but feel like there are only two ways forward: to go on to further education or to go into employment.

Peter Kyle: I would love to have a whole session on this. I know that the Chair wants to move on, but I would love to come back and have a conversation about this specific issue, because there are lots of structural things we can do. We have lots of funds and we have lots of targeted support. Schools are doing more work on this than ever before. I have been involved in setting up two academies, both of which are in areas of deprivation. Both of them have entrepreneurship, thanks to the Aldridge Foundation, as their core mission as a school. I have seen how this can be done.

There is also a cultural challenge. I was hammered for saying this in public a little while ago, but when I visited a university in the US, I asked a bunch of undergraduates why they had chosen that specific university. Every single student in the group of about a dozen said that they went there because they wanted to set a business up. I do not think that you would meet many groups of university students here who would say that their motivation for going to university was to found a company or set up a company.

That is not a criticism of universities, because they do amazing amounts of entrepreneurship, but what we do not have that here, to the degree that I believe we need it, is the entrepreneurial zeal that drives the decisions that young people are making. Too few young people from every background see founding a business—whether it is a small or micro business, self-employment, working with other contractors in a co-ordinated way, or a business for which they have huge global ambitions—as a pathway. There are lots of other areas within that.

Chair: We may well indulge you with a whole inquiry on this next year.

Peter Kyle: Go ahead!

Q140 **Chair:** Let me turn to trade. You have flagged your analysis of a growth emergency, to which export-led growth is part of the remedy. It would appear that, given the efficiency savings that you have to deliver, a significant part of DBT's overseas workforce—known as the sales force of the UK—is being laid off. Is that the wisest decision right now?

Peter Kyle: We have to have more focus. I do not buy into the idea that numbers always equate directly to outcomes.

Chair: But they are big numbers.

Peter Kyle: They are big numbers. DBT cannot stand aside when the Government are making sure that efficiencies are brought in right across the piece. We have priorities as a Government, and the question earlier about whether we are aligning to the industrial strategy across the Government also applies to us as a Department.

Q141 **Chair:** Is there not a risk that you are reducing numbers below a critical threshold? Might now be the moment to look again at the idea from Michael Heseltine of outsourcing export support to the chambers of commerce up and down the country?

Peter Kyle: It is a risk, but it is a risk that I am aware of and that I will not allow to happen in practice. We are looking very closely at where we focus more resource. In certain parts of the world, we are increasing our footprint when it comes to trade, because they are priorities for us and we see the opportunity for exploiting trade. The trade deal with India is great, but it will be great only if we fully exploit its potential.

There is not the culture, or the inherited experience, of exporting and doing business with India in parts of the economy that should be, so we need to have resources in DBT to get that culture embedded. There will be parts of the world where we will increase our DBT activity; there will be other parts where, I'm afraid, I am deprioritising. Even if I did not have the priority of reducing headcount across DBT, this same programme would be unfolding in respect of surging.

Q142 **Chair:** But why not come to a different arrangement with the chambers of commerce? They were doing a perfectly good job a few years ago, but they were never given the certainty of long-term contracts. There would be widespread support in the business community for a different kind of export support service delivered through the country's chambers of commerce.

Peter Kyle: I have seen the work that the chambers have done abroad. I have obviously been doing a lot of travel, including, when I was in DSIT, on the west coast of America and also in Singapore, where I saw their work. DBT's work there is outstanding, as is the work of the local chambers. As I said, I am very pragmatic about these sorts of relationships. Where there are parts of the world where they are doing particular stand-out functions, I am very open minded.

I am not ideologically ruling out having any arrangements. But I am also not saying, ideologically, that we have moved to a situation in which, carte blanche, they will have a universal contract. There are areas of the world where perhaps I should take another look at the work they are doing, and Gareth and I would be very willing to do so.

Q143 **Matt Western:** It has now been six months since the economic prosperity deal. The Government were quite rightly lauded for doing such a great job—we were first up and really the envy of so many other nations—but a huge amount is still unresolved. What are we doing to support UK manufacturers?

Peter Kyle: The headline deal itself is very clearly a win for British manufacturers. I'm afraid I do not accept the idea that it is not. It not only presents opportunities but includes protections, particularly for the British automotive industry, with over 40,000 jobs protected from that deal. Some areas of implementation are still outstanding. They are now few in number, and they are now the subject of very intensive conversations. You will know from the work you have done on the Committee that, whether we are striking a new deal, whether we are in the period of implementing an existing deal, or whether a deal is in statute, already available and needs to be fully exploited, there are bits that need to be resolved and that are harder to reach.

Q144 **Matt Western:** You mentioned automotive; above the 100,000 threshold the tariff goes from 10% to 27.5%. It is a pretty squeaky time for manufacturers, as we get towards the end of the year, and there are also the quarterly splits, in terms of achieving targets. Small manufacturers and micro-manufacturers are really worried that they are going to get squeezed out—you will have seen the Aston Martin figures just recently. Can I urge you to look closely at this? The 100,000 is fine for now, but it urgently needs to be tweaked for 2026.

Peter Kyle: Yes, I will look very closely—I think you would have assumed that I am already looking very closely, and my Department is in touch with Aston Martin and other manufacturers on this precise issue.

On the second part of your question, I am asked a lot in the media about our expectations of what the next round of negotiations will deliver on a whole range of issues. There are prominent parts of our economy that are, for various reasons, incredibly important to either the economy or our society. We are in iterative conversations now with the EU and with the US.

These conversations are open and ongoing, and it should not be a surprise to anyone that these parts of our economy, which are particularly important, always feature in the conversations that we have, and we are always aspiring to do better and to enhance deals. As soon as we strike a deal, wherever it is, we are already looking at how we can fully exploit it, exploit it more, or build upon it, and these key sectors of our economy are central parts to that.

Q145 **Chair:** Why are we reading in the newspapers that US officials are warning that the agreement is, in their words, "in danger of going off the rails"?

Peter Kyle: I honestly don't know. The conversations we are having are extremely functional and very purposeful, so when I read that, it is not reflective of the relationship that we have.

Q146 **Chair:** Warren Stephens warned publicly last week that there were real concerns about energy costs in this country and the fact that the NHS was not buying drugs that were made by companies investing in the UK. We have the pharmaceutical deal still under discussion, the steel and aluminium deal still under discussion, agriculture still under discussion, regulatory co-operation still under discussion, digital trade still under discussion, economic security still under discussion, and future work streams under discussion. When Ambassador Greer gets here in a couple of weeks' time, what do you think will actually come out of those talks?

Peter Kyle: I am not waiting for Ambassador Greer to be here; I met Ambassador Greer in Washington on the second day I was in this job, so I did not waste any time in getting stuck into these issues. The relationship between our two departments and our two offices, as I said, is iterative. I pay tribute also to Varun at No. 10, and to our DBT teams and the ambassadors teams in Washington. All of them are outstanding.

All the areas that you have highlighted are at various points of either implementation or negotiation. When it comes to energy, it is true that this is not just a factor for American companies and the United States Administration, who have pointed this out. Every country we do business with points out the cost of electricity in particular in this country. It is a stand-out challenge of the moment in which we find ourselves governing, which is why I have framed my role since becoming Secretary of State as inheriting a growth emergency, but acting in a manner that reflects the fact that we are in an emergency, and the cost of energy is certainly part of that emergency.

Q147 **Dan Aldridge:** Many of us are really optimistic about the tech prosperity deal and its potential, but for it to deliver on the UK national interest, but also for benefits to be felt across the country in places like Weston-super-Mare, we need serious, proactive attention to detail. What mechanisms, if any, are in place to track the delivery of these commitments? Can you tell us who the UK accountable Minister will be?

Peter Kyle: It is a good question. My Department is leading alongside DSIT. When it comes to who is ultimately responsible, I would say that at the moment DSIT is taking the lead on the tech prosperity deal. It was DSIT that negotiated the deal and played the leadership role in it. If that changes, we will inform you.

The tech prosperity deal throws open a huge amount of opportunities—£300 billion-worth of commercial activity will flow from it between our two nations—but what excites me the most is where that can lead to, because there will be lots of businesses that will be trading for the first time, and we need to grab those opportunities.

If you know of people in Weston-super-Mare or any other part of the country who want to exploit that opportunity, it does not matter whether they get in touch with DSIT or my Department; I can assure you that they will be welcomed with open arms and we will take on the burden or challenge of finding them the right destination within Government.

There has always been a big overlap between DSIT and DBT. In a Venn diagram, the bit in the middle would be quite considerable. Since the reshuffle, with Liz at DSIT and me here at DBT, that overlap has got larger. The iterative relationship and joined-up nature have got deeper and broader. As we move forward, I want to see Innovate UK working with the British Business Bank in a far more joined-up, concerted way. If that happens, we can have two really substantial funds being funded to historic levels and adding up to even more than the sum of their parts.

Q148 **Charlie Maynard:** Rejoining the customs union is forecast to generate an extra £25 billion to £30 billion a year. In 2016, nobody voted to leave the customs union. The Government's EU-UK reset announcement in May has not changed much. Can the Government grab the obvious solution in plain view?

Peter Kyle: We have already unlocked over 30 market access barriers that were there as a result of the terrible Brexit deal that was struck. That is worth over £11 billion. That is not the end of the road or the sum of our ambitions as a Government. We want to go much further. As you know, we are negotiating on a range of different issues, whether it be defence or the opportunities that young people have in the modern world. We are working assiduously on all those things. We went into the election ruling out joining any of the institutions of the EU, but we believe that there is an awful lot more that can be done outside that.

Q149 **Charlie Maynard:** Do you agree that we want all the economic benefits of being linked to Europe while controlling our borders?

Peter Kyle: I would frame it as we want to fully explore our potential as an economy and country outside the European Union, while strengthening our relationship and fully exploring the potential that exists with the European Union. I do not believe that we have touched the sides on either of those.

I will just say to you, Mr Maynard—I hope this is helpful—that in the first days after becoming a Secretary of State last year, I started connecting with Commissioners across the European Union. I think I met five in the first couple of months in the job. That was the previous Commission. There were real challenges to rebuilding our relationship with the EU because of the personal animosity that had crept into those relationships, as well as the institutional barriers and animosity that had crept into those things. They are important and they really matter.

We have a new Commission now. There is lot of reputation building to be done in order to get the relationship to the point where we can really start to maximise the potential. Yes, we are going in with an open mind; yes, we have lots of things on the table that we want to negotiate alongside our red lines. The same is true of the EU. In many cases, we are ready to run fast with the EU, but the EU needs to run faster in coming to the table as well. It is not just a question of the UK not being prepared to do things. We also need the EU to go faster in certain cases.

Q150 **Charlie Maynard:** Thank you, Secretary of State. On speed, the carbon border adjustment mechanism is happening for the UK on 1 January. What progress have we made on an interim deal to avoid a crash?

Peter Kyle: The EU's goes live in January. We are right in the process of designing our programme now. What we want is synergy between the two. We are looking very closely at that. When you look at the standards that we have already achieved, you can see where the synergy lies. What business really wants to see is synergy we can then build on between the two territories.

Q151 **Chair:** We see a lack of progress in a number of areas, including co-operation against non-market economies, customs easements at the border, rejoining the PEM convention, mutual recognition of conformity assessments, and touring artists. It is unclear what is going on with youth mobility. The CBAM deal is not yet done. How are we going to put more kinetic energy into this and crucially get the deal done on access to shared defence spending?

Peter Kyle: You are amazing at getting a million things into a very short sentence, Chair. There are certain outstanding singular issues for which we are negotiating at the moment. With the EU, they are singular negotiations, because it depends on which bit of the Commission we are negotiating with. Even just this morning, I met the Prime Minister and Nick Thomas-Symonds to run through a whole series of these. I can assure you that, if there are time delays in any of these, they are not coming from the UK side. At every stage where we have engaged—

Q152 **Chair:** I appreciate that, but we are paying the price for it. If you look at the number of small exporters that are exporting to the EU, the numbers are terrible. What is the creative diplomacy that can put the kinetic energy into it? Is the Prime Minister spending enough time in Brussels? Are you spending enough time in Brussels? What are we going to do to move this forward faster?

Peter Kyle: We are doing everything that is creatively possible to unlock further progress. As I said, there are singular, big issues, such as defence, on which we are negotiating at the moment. With each step forward, we have unlocked goodwill that stands us in good stead in other areas and future negotiations.

We started from a very low point, and we are less than a year and a half into this Government. The progress that we have struck is significant. The challenge we have is also the opportunity: we must build momentum in this relationship so that it becomes instinctive and so we can get to the point where, in some of the longer-term areas, we can break down some of the existing barriers.

The SPS deal is transformational; we need to get it across the line and implemented in full. This is a very knotty piece of policy and it requires a lot of work on both sides. We have been working extraordinarily fast at it. The EU knows, because I have said this in every conversation, that I am willing to get on a train at any point to get there overnight. I am willing to be there at any point, day or night, to unblock some of these stumbling points. My team is outstanding; the Cabinet Office team is outstanding. We are pushing very hard on these issues, but we are also finding ways to creatively unlock progress as fast as we can.

As I said, it has to be in stages. Some of these are singular issues that are barriers to further progress. We need to nail down some of these fundamental relationship points to unlock what I think are some of the more comprehensive benefits a bit further down the line.

Chair: There are some exports that arguably need more controls, including arms sales. Mr Maynard, would you like to open that up?

Q153 **Charlie Maynard:** It has been widely reported in the international press and by credible UN experts that the United Arab Emirates is arming the RSF in Sudan, which is committing terrible and severe ongoing atrocities. The UK's arms exports criteria look beyond whether UK-exported weapons ultimately reach Sudan—that is not what we are talking about here today. Instead, they consider the UK's international obligations to conventional arms transfers, non-proliferation, international humanitarian law and upholding peace and security.

If the UAE is arming the RSF, the UK is breaching its arms exports licensing criteria, specifically 1(f), 2 and 6—I can go into them in more detail if you like. Therefore, the UK should not be exporting any weapons to the UAE, given that it is exporting weapons to the RSF in Sudan, which is killing many thousands of people. Given the atrocities, what steps are the UK Government taking to verify whether the UAE is arming the RSF? There is a lot of information out there in the public domain. Will the UK cease all arms shipments to the UAE until it is proven that the UAE is not arming the RSF?

Chair: I am very happy for you to follow this up in correspondence, Secretary of State, but given the potential imminence of a deal with the GCC, this is a matter of some interest to the Committee.

Peter Kyle: Of course—I know it is. This is a matter that I care extremely deeply about, as does every person in this room, because of the seriousness of it. You will know that, for a period of my life, I was an aid worker and I worked in very challenging situations, so this is a lifelong issue and interest for me. First, you quite rightly say that we have an export ban to Sudan, so there is no direct export of armaments there. Secondly, I want to put on the record that the primary reason why most arms export licences are denied is the suspicion or possibility that the arms could be resold or recycled onwards.

Q154 **Charlie Maynard:** Secretary of State, I am not asking whether our weapons are being recycled onwards. That is irrelevant; please let's not go down that rabbit hole. What I want to say is this: if the UAE is taking, let's say, Bulgarian arms and shipping them into the Sudan, that means we cannot export any weapons to the UAE.

Peter Kyle: I need to be clear for the record, because there have also been allegations that British arms have made their way there. Certainly, to my knowledge, those reports are not correct; they are not British armaments that have made their way there. That is my primary concern and the thing I have most agency over.

When it comes to other, broader relationships, those are led by FCDO. My Department is in contact with the FCDO on all these issues, which are taken extremely seriously and will be under constant review.

Q155 **Charlie Maynard:** Sorry, but arms export controls come under your Department, yes? We have responsibilities under the conventional arms transfers principles at OSCE. We have responsibility under international humanitarian law. The *Guardian,* Reuters, the *FT* and UN experts have all reported on this extensively. The UAE has refused to provide information to ascertain what was in the manifests that ended up in Chad and then got exported across the border into Sudan. It looks really bad that we just do not want to stop making money out of selling weapons into the UAE, and do not really care whether the UAE is arming the RSF and killing thousands of people.

Peter Kyle: Let me be clear. You mentioned British arms sales.

Q156 **Chair:** I think the question is: why are there open licences to a country when that country is not abiding by rules that we abide by in Government?

Peter Kyle: I understand that, but Mr Maynard did just say British arms.

Q157 **Charlie Maynard:** Criterion 2 is international humanitarian law.

Peter Kyle: I refer to my first answer, because it is extremely important that I am clear. We are doing everything we can to ensure that British arms are not ending up in that situation. Secondly, you are correct that my Department is responsible for arms export controls. As Secretary of State, I am legally responsible for that.

You will also know that we do this work with other Government Departments advising me and under their advice. The FCDO is responsible in those situations for providing me with the advice I need to make those decisions. I take their advice very seriously, as you would expect, because that is the Department that has the granular relationship in the frontline for Britain's diplomatic relationships around the world.

Q158 **Charlie Maynard:** What have they told you?

Peter Kyle: Right now, I am adhering to all the advice that is given to me. Again, it is under constant review. If there is further information that you believe that the FCDO should know to inform their advice to me, please let them know. I will reiterate on the back of this Committee hearing that there is an expectation that the FCDO will look into this. Believe me, this is an issue that we take very seriously.

Q159 **Charlie Maynard:** Okay. I refer you to the Reuters newspaper, the *New York Times,* and the *FT,* which have widely reported on this based on the evidence out there. The UAE has refused to answer questions from the UN and others. I do not understand why we are playing for time—I am afraid that is what it looks like: that we are too busy making money to do it.

Chair: I suggest we follow up in correspondence to you and the Secretary of State at the FCDO. If you can supply us with a joint answer, that would help our scrutiny work.

Peter Kyle: I am happy to do so. Mr Maynard used the word "playing". I can assure you we are not playing at anything here. These are issues we take extraordinarily seriously. We are not playing in area of this, particularly not with time. If there are issues that I need to be aware of, I will. I consider myself referred in the manner in which you intended.

Chair: Thank you. We are moving on to the Employment Rights Bill now. Antonia Bance will open the questioning.

Q160 **Antonia Bance:** Are you still committed to implementing the Employment Rights Bill in full? If so, why are there still six outstanding consultations on aspects of the Bill?

Peter Kyle: Brace yourself!

Antonia Bance: Okay.

Peter Kyle: The answer is yes, of course, I intend to implement the Bill in full, and carry on the herculean work of Mr Madders. In order to do so, I need to get it through ping-pong. As you know, the Bill has now cleared the House of Commons again. By now, after two rounds of ping-pong, nobody should be in any doubt about my intentions when it comes to that legislation.

You express frustration about outstanding consultations; four are outstanding and we launched six in August, but there will be a further 26 consultations.[4] That will take us to the point where we can honour both the letter and the spirit of our manifesto commitment, as laid out in our plan "Make Work Pay".

Q161 **Antonia Bance:** In that case, I turn to some of the specific commitments. On the ban on zero-hours contracts and guaranteed hours, will you commit now to a rolling 12-week reference period and to all workers on all levels of hours being eligible for the protection of guaranteed hours?

Peter Kyle: Again, zero-hours contracts and how those are rolled out are, by definition of the legislation, to be subject to consultation. But as I said, the spirit of the "Make Work Pay" commitment and the legislation will be delivered. We will outlaw exploitative zero-hours contracts. Ambiguity needs to be ironed out of the legislation itself. I want to make sure that that gets done in the correct way: a way that has clarity and delivers the intentions of the legislation—to stop workers from being exploited by exploitative zero-hours contracts.

Q162 **Antonia Bance:** Moving on, the leader of the GMB union says that if the provisions of the Employment Rights Bill had been in place when his members at Amazon had sought union recognition, they would have won the ballot. Given that, is it time for Amazon to voluntarily recognise the GMB union at its Coventry warehouse and across the country?

Peter Kyle: Nice try! But you know full well that I am not the arbiter of these conversations. These are decisions that employees, people working in workplaces and employers need to take among themselves.

[4] The Secretary of State subsequently wished to clarify that of the 26 consultations expected to deliver the Employment Rights Bill and commitments made in the Implementing the Employment Rights Bill publication, 5 have already concluded and 6 are currently live. A further 15 are expected.

Let me take one step back and address this with a slightly more holistic view. When you read our plan "Make Work Pay", you see that it is entirely about creating the social contract fit for the age in which we live—the 2020s onwards. Working via apps or on zero-hours contracts are things that have emerged into our economy; they were not there 20 years ago.

All of this is about constructive relationships between people in workplaces and their employers. The legislation is designed to harmonise the relationship between worker and union and to give more opportunities for a more harmonious and more functional relationship. That has been a frustration of mine since this debate unfolded. Because of the ambiguity and number of outstanding consultations, people go into certain areas and go out on to the airwaves and debates go on between union representatives and certain employers that are taking quite extreme positions, when in fact this will be resolved through various consultations.

The whole process is about bringing workers, their representatives, unions and employers together, not about driving wedges between them. I hope that the legislation will provide a tool, a platform, to resolve that specific issue in Amazon as well. Certainly, it gives lots of tools to employers and to workers simultaneously.

Q163 **Antonia Bance:** In this Committee, we have heard from many employers who have welcomed their relationships with unions, and we hope for further constructive working between unions and employers.

I turn to one of the other issues in the new deal for working people: the "Make Work Pay" plan. We have heard significant evidence about that in this Committee. During our high streets session, we heard about the end of direct employment in the hairdressing, barbering and beauty trade. It is abundantly clear that those sectors and that part of our high street desperately need the review into the single status of worker promised in the "Make Work Pay" plan. When should we expect that workstream to be taken forward?

Peter Kyle: You can imagine my priorities at the moment; let me be really clear about this. I have to get the legislation through, as it is not through yet. I have to get the consultations under way, reconciled, out there and delivered so that we can start moving forward with a modern economy and the modern relationships fit for the times we are living in.

We need to be focused on increasing productivity, which is what unions want, and on having a more harmonious relationship so that people who come to invest and create businesses, and those we spoke about earlier who we want to be setting up their own businesses, can do so knowing that they have all the support, skills, productivity and legislative frameworks that will support that development into the future.

We have to set up the Fair Work Agency. I met last week with Matthew Taylor, who will be its chair, so that we can get that right when it goes live in April. All those things need to be got right. At that point, it would be good for us to start thinking more long term.

There will be some outstanding manifesto commitments. I think the work that Mr Madders and the former Deputy Prime Minister did in getting this on to statute—or into the Commons—in 100 days was Herculean, but it has left a lot of work that we have to reconcile and get done as quickly as possible to make it a reality from which we can build.

Chair: Let me bring in Mr Madders.

Q164 **Justin Madders:** After those glowing references, how can I do anything other than acknowledge the appreciation shown?

I want to follow up on Antonia's question, because it is a real concern that bogus self-employment is leeching out wider and wider into the economy. I think the great stuff in the Employment Rights Bill, which you have rightly defended, will be undermined if we do not tackle this question of status. As we have already established, it is a very clear manifesto commitment that we will review that status. Can you give us any indication as to when that process will start, and whether we will be able to legislate in this Parliament?

Peter Kyle: I want to be blunt with you: no, I cannot give you that date. As I said, there are real stand-out priorities that I have got to throw myself into to make them a reality; otherwise, some of the real strident priorities that we have been talking about, including the Employment Rights Bill, will simply start to drift. We have a lot of manifesto commitments, and we have to prioritise those over the period of a Parliament. This is a five-year Parliament, and we are less than one and a half years into it. We will get to it, because I am in the business of delivering our manifesto.

Q165 **Justin Madders:** Good. On a non–Employment Rights Bill-related consultation, there was also a commitment to consult on reform to TUPE, which is long overdue. Are you able to say anything about when that might start?

Peter Kyle: Again, I do not know when we are going to start that, but it is in my inbox.

Q166 **Justin Madders:** Just one further question. The former Deputy Prime Minister chaired the Future of Work Committee, which was a very useful way of bringing all the relevant Government Departments together to get decisions taken. Is it your intention to carry on with that body, or is there another way that decisions will be taken?

Peter Kyle: I have not decided yet, is the truth. I sat on that Committee and enjoyed seeing you over the table there, but I have not yet made a decision as to what is the best forum. As you will know, we have adapted a few of the forums over the last year and a half. In every iteration and adaptation I have seen, it has moved to one that is more potent and holds Secretaries of State's feet to the fire in a more strident way. If there is adaptation, it would be in that spirit and not, I can assure you, in the other direction.

Q167 **Charlie Maynard:** We currently have a two-year qualifying period for protection against unfair dismissal. That was going down to an immediate day one right. There seems to be something about a longer period taking shape in the Commons and the Lords. What do you think is the right decision? In Witney, I hear endlessly from businesses, "I'm never going to hire anybody ever again, because the risk is too great." I am really worried about it, as are they.

Peter Kyle: I kind of addressed this in my frustration about the widening division that sometimes the media portrays here. Our manifesto commitment was to basic day one rights. We now need to consult to see what that looks like in practice. Our manifesto said that "we will engage widely with experts and stakeholders, including employers and trade unions." We are committed to delivering this in a way that brings those together.

I made a mistake in my previous role, when it came to the data Bill and AI copyright, because I released a consultation that had put into it what my preferred option was. In other words, I pre-empted the outcome of a consultation, and that led to enormous acrimony in the sectors that I was trying to lead through.

I am nothing if not someone who learns from mistakes I have made, and also quite open in talking about the mistakes I have made throughout my period in office, and this is one of those things I am not going to repeat. If I am undertaking 26 consultations, believe you me, they will be meaningful consultations.

Our manifesto committed us to undertaking those consultations, and it is my intention to bring together people on either side of this debate, to create an environment where employers do not feel that they are having their ability to manage their business taken away from them in any way, but also to make sure that the rights for the modern times we are living in are there for people in the workplace, whatever position they are in.

Q168 **Matt Western:** I want to talk a bit about tax in the gig economy. A couple of days ago, I witnessed a delivery rider—I don't know whether he was from Deliveroo or Just Eat—get knocked off his bike. Police get involved. The guy probably had to go to hospital. You are left wondering who picks up the bill, because he will not be insured and the business will not have any cover. Do you think these companies—Deliveroo, Just Eat, Amazon and all the others—are paying enough tax?

Peter Kyle: I was on this Committee when we looked into exactly this—Deliveroo, Uber Eats and Uber itself. All those companies have moved quite some way since the days when I was on this Committee and we were looking at outright exploitation of people who were on those apps. There has been some movement.

Our economy is moving incredibly fast. Technologies are emerging into our economy incredibly fast. We have a huge challenge right across the board when it comes to employment rights and abilities, or when we are talking about keeping people safe online, because these trends are happening faster than our ability to legislate and empower regulators. One of the fundamental challenges that we have is to have a regulatory landscape that does not have onerous powers and certainly does not place onerous burdens on businesses, but that has powers and is able to be responsive and reflexive enough when these sorts of things emerge.

I do not know about that particular issue, and I am very happy to look into it if there are any issues that my Department should be taking broader conclusions from, but right now I am loath to say that there is a widespread response that needs to happen from one instance. But I accept the premise.

Q169 **Antonia Bance:** I was glad to hear you mention the appointment to be the chair of the Fair Work Agency. Frankly, if a previous Prime Minister had listened to the recommendations from the person in question a number of years ago, we would not be in the situation we are in now. How will you make sure that the Fair Work Agency has the resources it needs to do the job? We have heard evidence in this Committee that the number of inspectors in its predecessor agencies is far too low to ensure that the law is effectively enforced, and we would hate to see this new agency hamstrung from the beginning.

Peter Kyle: I share the premise of your question. As I said, I met last week with Matthew Taylor, and it was a really productive session. We have had our settlement from the spending review. We are in the process of allocating those resources as we move from three agencies to one agency. I am satisfied that the Fair Work Agency will be resourced to the degree that it needs to be.

We are in the process of establishing that at the moment. That process is only just starting, so this is something that I am sure your Committee will pay heed to as it unfolds. I am ensuring that it happens in a way that is meaningful, and that it is an agency that has the resources it needs, bearing in mind that it is doing a different function from the previous three put together. In that evolution, resources may well be reallocated and used in different ways, but it must be resourced in the correct way. That is something I am satisfied, at these early stages, we are moving in the right direction on.

Chair: The clock is slightly against us, but we have a couple more quick things to check in on. You will know that the first report that this Committee undertook in this Parliament was on the Post Office. Mr Aldridge, perhaps you could follow that up.

Q170 **Dan Aldridge:** The Post Office is something that covers all our constituencies, and I think we all take a keen interest in how those who have been harmed are able to access redress. We know there are still claimants across three of the redress schemes who have not yet been paid. What is your Department doing to ensure that remaining payments are made swiftly?

Peter Kyle: As you know, this is something that we are very struck by. Once again, I am a new Secretary of State and have not yet had the chance to put on the record my extreme concerns and condolences for those who have been through the most horrific, unnecessary experiences. As a result, this Government came in and we doubled down.

I can now say for the first time that we have achieved the milestone of £1 billion of compensation being handed on to victims of the Horizon scandal since we took office. That takes the total to £1.2 billion overall. There are 9,100 claims that have now been settled, but 2,100 are outstanding. It is my determined expectation to deliver those as rapidly as we can—certainly that will be done over the course of next year—but we are talking about those that are of the most complexity.

Q171 **Dan Aldridge:** We know that trust is critical to all of this and to how we move forward as a society. It strikes me that postmasters potentially do not trust the Post Office to administer the Horizon shortfall scheme. Are the Government going to leave the administration of the scheme with that organisation?

Peter Kyle: We do not have any plans to change that. We are in the last push to get this resolved. I do not think that changing the organisational structure at this moment would deliver a quicker or more just outcome, but I can assure you that my Department is giving all the oversight that people would expect at ministerial and official level to make sure that that is the case. There are 492 people involved in the class action. The remainder are going through the process with the Post Office.

Q172 **Chair:** Our bigger concern is the Horizon shortfall scheme, where still only 68% of claims have been paid. After all these years, 68% is an appallingly low number.

Peter Kyle: Indeed, but you can see from the actions that this Government have taken that we are doubling down. We have accelerated the claims. I am really pleased that Sir Alan is now publicly acknowledged as having settled. I truly wish him and others that have settled the best. To those whose claims are outstanding, I can assure you that I, my ministerial team and my whole Department are doing everything we possibly can to make sure that—

Chair: Well, we commend to you, as the new Secretary of State, this Committee’s recommendations on sorting out the HSS scheme so that the 68% figure goes up rather faster.

Peter Kyle: Okay.

Q173 **Chair:** In the final minutes, it would be remiss of us not to flag for longer discussion the issue of China. You and I visited China together in happier times many years ago. Have you read the China audit?

Peter Kyle: I certainly read everything internally that goes past my desk. As you know, I am also involved in the discussions in all parts of Government on China. I visited China in my first week in this job and undertook our first set of trade talks for seven years as a country. I met with the Vice-Premier and with their equivalent of the Finance Secretary, Minister Wang. That was five hours of talks on the second day. This was all in my first few days in this job. The relationship with China is very prominent in my Department and something that I am leading on directly.

Q174 **Chair:** Is it your instinct that we will need to strengthen investment screening, for example to prevent Chinese investment in aspects of our offshore wind infrastructure, where there are not necessarily alternative suppliers?

Peter Kyle: You will know that the framework we are operating within is one where we co-operate where we can, challenge where we must but always make sure that national security is our primary concern. Within that, we must have a framework as a Government that is fit for the moment we are living in.

China is our third largest trading partner and the second largest economy in the world. We have learned a lot in recent years through experiences. That is being applied. I believe that we can ensure that the relevant measures can be taken into account as we move forward with our trading relationship with China.

Q175 **Matt Western:** Related to that, you may have seen the story from Norway and Denmark, where authorities have been concerned about buses sold by the Chinese company Yutong. That company can remotely access each individual bus and switch off its software. Buses are an important part of infrastructure. Do those sorts of stories concern you? What sorts of controls or protections should be in place?

Peter Kyle: Of course, any story like that would concern me. My Department is deeply involved in ensuring the resilience of our society, our economy and our research sector. These are things that this Government are very actively involved in.

When it comes to buses specifically, we are blessed to have two great bus companies—

Q176 **Matt Western:** Indeed, so why should we be buying them from elsewhere?

Peter Kyle: We have Wrightbus in Northern Ireland, which is leading on battery and hydrogen technology. I think that people should not be looking further afield than these companies domestically—

Matt Western: Alexander Dennis is another good company.

Peter Kyle: Exactly.

Q177 **Matt Western:** So you are putting in protections.

Peter Kyle: We are certainly looking at all the aspects of the trading relationship that need to have oversight, and we are providing that oversight.

I have just outlined the framework within which we are operating. There are areas in which we want to increase our trade with China; that is the purpose of talks. China is in no doubt about the areas where we have concern; I raised them myself, so this is not second-hand. These are areas that I raised myself when I was in China, including some of the human rights issues and some of the forced labour issues that we perceive as a challenge.

We want to tell representatives in China—my counterparts—directly that these are issues on which we as a nation will do everything we can to ascertain the areas relating to them before we undertake and then join trading relationships as they unfold.

Q178 **Matt Western:** The French have stopped trading in Shein, for example, but we have not.

Peter Kyle: No. As I said, each country will have a different trading relationship with other countries. I will always be here to explain the decisions that we take.

As I have said, the first trade talks for seven years are now under way, and these are areas that we are looking into very carefully. When it comes to very specific areas that might raise concerns, based on the values that we attach to our trading relationships, these are things that we are engaged in very explicitly in the conversations we have with our Chinese counterparts. We will take decisions based on our own national interests but also on the individual concerns that we have, based on our values as a nation.

Q179 **Chair:** But we have to make judgments about what Chinese investment to permit, based on an assessment of the potential risks. Do you foresee that we will need to take a tougher approach to investment screening in the future?

Peter Kyle: I think it will be more granular than that. There will be areas where we will be tougher. There will be other areas where we believe we can be more fulsome, because we do not perceive there to be a pressing national security reason for us not to be. I do not think that you can say carte blanche that we will be one thing or another, but within the framework that national security, national resilience and the long-term resilience of our economy will always be paramount, we will take individual decisions that will be the right decisions in themselves.

Q180 **Chair:** You said that you have raised forced labour as an issue in China. You will know this Committee's concerns about the lack of protections in this country against forced labour in supply chains. This country, which led the abolition of slavery, now has weaker defences than the European Union or the United States. Do you think that it is now time to update the Modern Slavery Act? Do you have a timetable in mind for when we might do that?

Peter Kyle: You are correct that I raised these issues in China with my counterparts at every opportunity that I had. Let me just say that, since you and I visited China together, I have found that the ability to do so in a more forthright way now exists, and I exploited that opportunity to the full. There was no ambiguity in the words that I was saying to my counterparts. At the same time, I expressed that there are parts of the economy here that I think are ripe for trade to happen.

When it comes to modern slavery, as I said, I raised the issue and it is something that we place paramount importance in and keep under constant review. There are no plans right now to update the Modern Slavery Act, but if you think there is something specific that we should be looking at, I will of course bear that in mind.

Q181 **Chair:** We might just write to you to follow that up, because in some of the debates in the House, your colleagues have made commitments that there will be an update to the Modern Slavery Act. It is very important for us as a Committee to make sure that the Government are as one on that.

Peter Kyle: Thank you. I will look into that.

Chair: Secretary of State, we have covered business costs, industrial strategy, procurement, skills, trade, the Employment Rights Bill, the Post Office and China—it has been a very full discussion over the last two hours. Thank you very much indeed for the candour and openness with which you have given evidence today.