



Environment, Food and Rural Affairs Committee

Oral evidence: [Defra performance 2014–15](#) , HC
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Wednesday 21 October 2015

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Members present: Neil Parish (Chair); Chris Davies; Jim Fitzpatrick; Simon Hart; Dr Paul Monaghan; Rebecca Pow; Ms Margaret Ritchie; David Simpson; Rishi Sunak

Questions 90-174

Witnesses: **Rt Hon Elizabeth Truss MP**, Secretary of State for Environment, Food and Rural Affairs, **George Eustice MP**, Minister of State for Farming, Food and the Marine Environment, **Rory Stewart MP**, Under-Secretary of State for Environment and Rural Affairs, and **Lord Gardiner of Kimble**, Lords Spokesman for the Department of Environment, Food and Rural Affairs, gave evidence.

Q90 Chair: Welcome very much to the Committee. It is lovely to see the Secretary of State, the Minister of State, the Under-Secretary of State and the spokesman from the House of Lords, Lord Gardiner. You are most welcome. What we are suggesting to do is to fire the questions at you Secretary of State, and then you will make sure that you will hand over the very difficult questions to your Ministers, I imagine.

Elizabeth Truss: That is exactly what I am planning to do, Mr Chairman.

Chair: There you go. I would do the same myself. Very much welcome to all of you this afternoon. It is a great pleasure that you have all been able to come together. It is most appreciated. We may be expecting votes at around 3.20, but we will have to see what happens. If we do, we would like you to come back, if you can, afterwards.

We will get straight in. I am going to fire the first question at you. How have your priorities for Defra changed now that you are part of a Conservative, not a coalition Government?

Elizabeth Truss: Thank you very much for having us in front of the Committee today. Congratulations, Mr Chairman. It is my first appearance since you were elected as the Defra Select Committee Chairman and I know we have a number of new members of the Committee. It is fantastic that we have such a great geographical representation from some of our fantastic rural, food and farming areas right across the United Kingdom. It is great to be here today.

Jim Fitzpatrick: And Poplar.

Elizabeth Truss: Yes. Exactly. Poplar is a bit of a rural idyll in my view. We certainly have plans to plant many more trees in areas like Poplar, which is, of course, named after a tree.

First, can I say that I was delighted to be reappointed as Defra Secretary under a Conservative majority Government? It gives us the opportunity to be bolder and more ambitious in terms of our vision. I am particularly pleased that we have George Eustice returning as Food and Farming Minister, having a five-year window in which to make serious plans for the future. He has already laid out the structure of our food and farming 25-year plan: how we are going to grow more, buy more and sell more British food, both overseas and here in the UK. He is at the moment working on the details of that plan, which we should be announcing early next year. Also, Minister Stewart, who is new to the department and a fantastic appointment by the Prime Minister, is working on a 25-year plan for the environment. It gives us the opportunity as a completely Conservative team to work in a much broader way and to link these policy areas together. In my view, we can spend the money we spend on the environment in a much more efficient way by looking at what the water companies do, what farmers do, and what the Environment Agency and Natural England do in a single piece rather than looking at it piecemeal, and we have that opportunity at the start of the Department.

To have Lord Gardiner join us, with his knowledge and background in the countryside and particular promotion of thriving rural communities, is very exciting. This summer we outlined the first ever rural productivity plan, which is all about bridging the gap that we have at the moment between rural and urban areas. We have an 18% productivity gap. We know there are issues in terms of planning, connectivity, access to childcare and access to high quality education for children in rural areas. That is another key thing that we are able to do.

In all of this, I do not forget that we have a really serious responsibility to protect our country from the threat of flooding, animal disease outbreaks and plant disease outbreaks. That remains at the core of what we do. I was appointed nine months before the General Election, and we were able to make some significant progress on some issues—for example, launching food enterprise zones and completing our red-tape reductions, reducing the number of farm inspections by 34,000 per year. Now we have an opportunity with a five-year time horizon and an all-Conservative team to really look at things in the round and make some very positive change.

Q91 Chair: Thank you very much for that. The second part of my question is: which policy areas present the Department with the most significant challenges in the coming year? The next question is about the budgetary situation, so I do not necessarily want it linked directly to that, but I want to be a little bit specific on a couple of items. One is that you are very keen to make sure that we export more food, so can you guarantee the resources within Defra to make sure that that happens—and also in UKTI if it is in China or wherever? The other part of my question is: there has been a bit of an argument recently about the money that farmers and processors pay to have food promoted—the levy—and no promotions have gone on during the summer for lamb in particular, and all we have done is see the price of lamb drop. The retailers are buying the lamb a lot cheaper but not necessarily handing those reductions

in prices on to the consumer. I would like to know, on those couple of issues, what you are going to do about them.

Elizabeth Truss: We do have a number of serious challenges. I have mentioned already flood and animal disease protection. When things have gone wrong, we have seen the cost to our countryside and the cost to our economy is huge. We must always make sure that we have the right resources to respond in an emergency and make sure we are protected. We are very fortunate to have the six-year capital programme, which does mean there is an overall reduction of 5% in flood risk, but I am constantly vigilant about that. I would say that implementing CAP, the most complicated CAP ever—

Chair: If you do not mind just referring to the couple of questions I have asked, because some of the CAP and flooding questions will come later.

Elizabeth Truss: Okay, but those are some of the biggest challenges we face. Fulfilling our environmental commitments is also a major challenge, and the 25-year plan and having a much clearer, coherent plan of all of the agencies of Defra together will help us achieve that. I hope Rory will have the opportunity to talk about that a bit later on.

In terms of what you say about exports and—

Chair: Home promotion.

Elizabeth Truss: Home promotion. The two go hand in hand, because there is a massive opportunity for import substitution. We import two-thirds of our cheese and the vast amount of our yoghurt when we have a fantastic dairy industry, which we should be seeing more capital investment in. I am delighted that I am going to be going to Wensleydale on Friday in Mr Sunak's constituency to see the new Wensleydale yoghurt plant that has just been opened. We need much more of that to happen right across the country, and to gain the whole value of the food chain rather than us producing milk that gets pushed overseas and then gets sold back to us later on.

In terms of export promotion, it is a priority. I am talking with Francis Maude about how we use the resources best across the two Departments. We might be looking at some change on that front in terms of having a more coherent whole so that we see food as a real priority. I am also working with the GREAT campaign at Number 10. It is a massive opportunity for us to use GREAT more. We already have Food is GREAT, but what I want to do is make sure it is targeted on the products with the biggest opportunities overseas. I am doing a week in November in China, which is the Food is GREAT week, promoting products over there. What I want to do is link together the work we are doing across Government much better to promote exports, target where we think the biggest opportunities are, and use technology better to get in touch with our farmers and smaller manufacturers. We are also working on a number of deals to open new markets. For example, we are working on pigs' trotters, we are working at the moment on barley into China, and we continue to work on beef into the US. We have a number of specific targets. My argument to the Treasury and everybody else is that investing in exports is something that generates future returns. Food is our biggest manufacturing industry—it is bigger than cars and aerospace put together—and we need the same level of attention in terms of both selling it here and selling it overseas. It is very high on my priority list.

Q92 Chair: Just finally on home promotion of food, where there is money in a budget to promote it, we have spent all summer talking about it and we have not done it.

Elizabeth Truss: Yes. AHDB is going through a number of reforms under Peter Kendall and Jane King. Those are important reforms, because we need to make sure we are getting bang for our buck in terms of the money we spend. There are opportunities for AHDB to use campaigns like GREAT to help promote import substitution in supermarkets and also in the public sector here. I do not know, George, if you want to say any more on that.

George Eustice: Specifically on lamb, lamb prices were quite high last Christmas and went through a real spell of the doldrums in the spring and summer. The reason for that was that the lamb that we traditionally have had from New Zealand came on stream later than normal and clashed with the English market. That was the reason for the downturn. Lamb prices have bounced back. The proposal that AHDB had was not for a summer campaign of lamb; it was for something they were going to do in the autumn, so that expenditure would not have come in time to have affected the market, even if you thought it would.

Q93 Chair: We are in the autumn now, Minister, so when is it going to happen?

George Eustice: We have signed it off. We have agreed their project, so there is nothing in Government that is holding it up. We do not make any apology for questioning the way money is spent. This is a compulsory levy required in law, and I think Ministers have a responsibility to make sure that the Board are asking the right questions about value for money. We had some concerns, for instance, around the amount of money that they wanted to spend on PR consultants. These are the types of things that are legitimate questions to ask and they need to be able to answer those questions.

Q94 Chris Davies: Secretary of State, I am delighted you are going to China on this GREAT campaign. Can I put a plea in that Welsh lamb is part of your delegation? You mentioned earlier the red tape your Department is deleting, basically, but the perception of the farming community out there is that there is more red tape coming on board—more rules and regulations. How does your Department intend to change that perception?

Elizabeth Truss: Thank you. I will look at the list of the delegation and check that Welsh lamb is on it. I believe we did a promotion of Welsh lamb out there last time, and we do want to open up the market to those products.

Chair: Do not forget English lamb, Scottish lamb and Northern Irish lamb while you are at it.

Elizabeth Truss: I was just answering Mr Davies, but I support all lamb wherever it is from in the United Kingdom.

In terms of what we have achieved, we reduced Defra guidance by 80% over the last Parliament. We reduced the number of farming inspections by 34,000 over the last Parliament. We have now announced that we are going to go to a single farm inspection taskforce, which means that there will not be a multitude of Defra agencies visiting farms; there will just be a single set of inspections. That will reduce the number of farm inspections by a further 20,000. We also have a commitment to reduce the overall burden

of red tape coming from Defra—both farmers and businesses—by £500 million over this Parliament. We have some very stringent targets. We are going to achieve that not just by reducing the number of pieces of regulation but also by shortening the time it takes to get permits and licences and by removing the need—and in the water area we are reviewing the need—for permits and licences to give more freedom for people to act locally. We are looking at the overall burden of red tape.

I do think, though, there is a specific issue on farming, which is the new Common Agricultural Policy. It is the most complicated policy that has ever been introduced, with EFAs, the three-crop rule and a very complicated compliance system, IACS. Whilst we are doing all we can domestically to reduce the burden of our regulations on farmers and on businesses, we have had this issue of a very difficult Common Agricultural Policy coming in, which has caused problems in terms of the online interface but also is hugely problematic for farmers to implement. We are pushing very hard on simplification. We have had an issue with the dairy emergency summit. We had to focus on that and make sure we get the right things in place on dairy, but we are writing to Commissioner Hogan this week to say, “Let’s move on with simplification. Let’s really sort out greening. Let’s sort out the controls regime to make sure that it is simpler in the future”. I do not know, George, if you want to say more about what we are pushing for on simplification.

George Eustice: There are a number of things we have done already. Where we have been able to, we have taken legal advice and changed, for instance, our approach to certain elements of cross-compliance and certain approaches on penalties to try to ease some of the burden on farmers. It is very difficult because the EU regulations and the implementing acts and delegated acts that go with it are very prescriptive, but where we can, we do. On the simplification in particular, we are pushing for a change in the way fines are levied so you get away from this rather ludicrous 3% of your total claim and get back to fines that are more proportionate to the offence that is supposed to have taken place.

We are pushing as well for fewer burdens when it comes to the control regime that the Commission expect us to carry out on farms. This is the problem. There is a tension here that we in Government would like to put more trust in farmers, allow self-declarations more often and have a much more proportionate, risk-based approach to the inspection regime, but the European auditors tend not to like that and are constantly trying to push things in the other direction. We have to try to resolve this, and CAP simplification is one of our top asks, because it is crucial if we are to continue to lift the burden of regulation on farmers.

Chair: We have to keep moving, because we are not going to get through—

Elizabeth Truss: One of the things that I did want to add is that we are also looking at the role of technology. We are discussing with DG Agriculture whether we can use things like remote sensing as a way of checking what farmers are doing rather than having the constant form filling, as well as helping make our regime simpler and reducing the number of inspections we need to do. If we are collecting all this LIDAR data and all this satellite data, it should be an opportunity for Defra to reduce its costs but also to share that information with the European Commission so we are not having all the form filing.

Q95 Ms Margaret Ritchie: Secretary of State, is the Department still viable under a 25% or a 40% cut in the budget? As a consequence, how can you make the necessary savings without ceasing to undertake key areas of work?

Elizabeth Truss: We are still in discussions with the Treasury about our budget, and I cannot reveal a great deal about the state of our negotiations. What I would say is there are ways that we can make savings as a Department. I have talked about better use of technology. I have talked about how our agencies can work closer together. At the moment, the Environment Agency, which employs 10,000 people, still has its own HR department, finance department and IT systems. So does Natural England; so does core Defra. There is a big opportunity for us to put those back offices together and work together more closely so we are delivering things better on the ground. There is a lot of opportunity to reform our organisation and deliver better services. That is one point I would make.

We are also working right across Government. For example, there is no reason why all of Government cannot use the same IT system or share the same HR department. There really has been too much debate about, “Do we close this organisation or Department?” Instead, we should look at what we do and what is the best level to do it. There are some things where we want to see decisions made more locally. I would like to see organisations like internal drainage boards and local river authorities, like the Somerset Rivers Authority that we have just set up, take on more responsibility. Often those organisations can carry out work more effectively and more cost effectively. It is a combination of making our core smaller and more strategic, devolving more things down to the local level and making our organisation have a single plan rather than 34 different plans, which is what we have at the moment, so that we can really deliver our objectives. That is the case that I am putting to the Treasury.

Q96 Ms Margaret Ritchie: As part of those negotiations with the Treasury, has consideration or thought been given to any avenues or any agencies within the Defra family to be merged or abolished?

Elizabeth Truss: We have not been discussing that. We are still in the middle of discussions, but what I am looking at is the activities that our agencies carry out and how they could do that better. For example, in the 25-year environment plan, which we set out the starting point for last week, what we are saying is, “Let’s look at how all the agencies in a given local area work together. Let’s have a single plan. Let’s look at natural capital as an overall concept.” We can say it might be more efficient to plant a tree upstream rather than do something else downstream; it might be more efficient to pay a farmer to reduce pesticide production upstream. Implementing a system like that will help us achieve savings at a local level. I do not know, Rory, if you would like to say a bit more on that subject.

Rory Stewart: There are a couple of things. One of them is making sure that we work on getting our areas to overlap. Historically we have often had different areas to Natural England, different areas to the Environment Agency and potentially also different areas for things like our river basin management plans, which we are looking at at the moment. Getting people to agree on a single area is going to be important to that.

The second thing, which the Secretary of State was talking about, is this natural capital accounting, which should allow us to have a much more open, straightforward system of sharing with the public and sharing with Parliament the basis of our decisions, and to calculate that in certain cases we may have been doing things in the past where the costs outweighed the benefits, where there might have been better ways of using our money to help the environment in particular, which is my responsibility, but doing so more efficiently.

Q97 Ms Margaret Ritchie: As part of the devolution of responsibility and as part of your discussions, will you be asking farmers, industry and others to contribute more to the costs of providing environmental and agricultural services?

Elizabeth Truss: When we launched the 25-year environment plan we did invite farmers, members of environmental NGOs and businesses along, because we see addressing these environmental issues as the responsibility of everybody, and everybody can contribute to that. Looking at how we charge for the services we provide—because we do charge for some services we provide—it is a case-by-case basis, to be honest. There are some services we provide where we want to say, “You can do it yourself. We will give you permission.” For example, on waterway management and watercourse management we have been doing a pilot of that in nine areas. We are now going to extend that so that local farmers are able to manage the watercourses themselves, rather than having to apply for permission to the Environment Agency. There are other areas where we already charge but we may look at changing those charges. It is on a case-by-case basis, but what we want to do is to incentivise people to do the right thing.

Rory Stewart: Very quickly on that, I will just give a concrete example from the Exmoor national park. There, South West Water was spending a lot of money clearing up pollution in the river. They ran a natural capital model and they worked out that you could spend less money by giving the money to the farmers on schemes so that the pollution was not going into the water in the first place. It is a really good example of something where both sides benefit. The farmers get more money; they improve their agricultural practices. The water company, and therefore the ratepayer from whom the water company gets the money, pays less money to clean up the water. These kinds of things we would like to see rolled across the country more. Particularly in water, there are huge benefits. That is an area where we are spending £37 billion potentially over the next six years. Small savings in that make a huge difference to our departmental budget.

Q98 Ms Margaret Ritchie: What contingency budgets would Defra need to deal with occurrences of major hazards such as new animal or plant disease outbreaks like we have had in the past, or one-in-100-year floods, or all occurring at the same time? It is probably not likely that they would all occur at the same time, but they have occurred in the past and could occur again in the future, so what contingencies are you making for that?

Elizabeth Truss: I suspect if the scenario that you laid out were to happen we would have to have a special application to the Treasury in such a serious situation. What I would say on animal disease and plant disease in particular is early action is vital to stop us getting to that point. We do have arrangements with other countries. For example, on veterinary capability, we have just let out contracts, which means we have a good network of vets in this country. One thing that is really important is we have a monthly biosecurity meeting

where we look at all the potential threats we face. We also engage in a number of practice scenarios. In November, we will be engaging in a practice scenario around an animal disease outbreak to make sure all our procedures are correct. Early action is vital. In the recent case of avian flu, it was the fact that we had a Government vet on the premises straightaway as we heard there was a problem there so that the disease could be examined and we could put in place a protection zone. We really do not want to get to a situation where something is as serious as it was in the 2001 foot and mouth outbreak.

Q99 Chair: You are right, Secretary of State, but we have to be assured that there will be enough vets available to be able take that urgent action. You can reassure us on that, can you?

Elizabeth Truss: I can reassure you. Lord Gardiner and I had a monthly biosecurity meeting earlier this week.

Lord Gardiner of Kimble: And we precisely discussed the points that have been raised.

Q100 Ms Margaret Ritchie: In relation to export certificates and where trade is important with other countries, will the Department ring-fence budgets for export certification processing because of the importance of that particular area, considering that there has been a reduction of resource over the last few years in that area?

Elizabeth Truss: It is a really important area. We are looking at the whole area of how we work with UKTI to have a coherent export offer. What I would say is I am more interested in the outcomes. What I am interested in is making sure that export certificates are processed in a prompt manner rather than saying it is a certain amount of money we are spending. What we have to do, like every organisation has to do, is look at the way we do things and find ways to do them better. I am convinced that in Defra we can do that.

Q101 Chair: And are you making sure we work with the industries to make sure it happens?

Elizabeth Truss: Yes.

Q102 Rishi Sunak: I have a quick follow-up for the Minister about the flooding scheme in Exmoor, which sounds great because it is saving money and reducing pollution. How can we be sure that that best practice is being spread nationally? Can we assume our local Environment Agency or drainage board has that information from you, or is it incumbent upon us as MPs to hear that and go back and push them on schemes like that?

Chair: Can I ask Rebecca to come in with hers as well? We have to keep moving.

Q103 Rebecca Pow: I am really pleased to hear about the nature capital ideas. I did not realise you had got quite so far with integrating them, so I really applaud that because that is definitely the way to go.

Elizabeth Truss: We still have a bit to do to implement it. This is a plan.

Q104 Rebecca Pow: Yes. My question was just financial. If you really have to make 40% cuts, you have already cut from £3 billion to £2 billion; that is another ginormous cut. It is

half your Department, really. What is your gut feeling about how you will do that? Can you make it all by these 34 organisations joining up and saving on the back office?

Elizabeth Truss: What I would say is it is very difficult to speculate when we are in the middle of negotiations with the Treasury on it, but I am confident we can make—

Chair: In fairness to the Secretary of State, she does not want to say because the Treasury will be listening. Therefore, it is probably best at this stage not to discuss that one. Rory, on your—

Rory Stewart: The answer to Mr Sunak's question is that we have gone through exactly this at the moment. We are producing the river basin management plans towards the end of this year, and that is something we are required to do under this Water Framework Directive. Central to this is the EA and others—that includes the water companies, who are a huge, multi-billion-pound player in this field, and Ofwat itself—all having agreed single figures on trying to look at these costs and benefits. The place where natural capital at the moment is probably easiest to model is in water. It is a place where we can see the costs and benefits most clearly. You should see in your particular river basin management plan exactly these calculations coming forward.

Elizabeth Truss: It is worth saying that we are working on putting in place better modelling tools and a more dynamic set of modelling tools, but we are at the start of that point in terms of our 25-year plan. We hope to make progress over the course of this Parliament, but ultimately we want to be in a position where people at a local level have a real understanding of the contribution or cost to the environment that their specific action is resulting in. That means that, as Rory points out, we have excellent models in terms of water but we need to link those to other models of biodiversity, of what is happening on farm and of air quality. All of those things can be better linked so that we understand the overall impact. That could help with all kinds of things, like where developers plant trees on their development to maximise the impact. We know, for example, the Natural Capital Committee in their report suggested that planting trees in cities was where the most beneficial outcomes would be felt. What we need to do is get that to a much more granular level so people can understand it at a local level.

Q105 Chair: It is interesting, because South West Water have done a lot of work on Exmoor. What links are there directly with the Environment Agency, with Defra and with the individual water companies? It might be a case of best practice of those water companies. I am sure you are working on it, but it is something that probably needs to be taken into account.

Rory Stewart: Completely, Mr Chairman. These water companies are such big players. They dwarf our central Government expenditure, so it is essential that the EA really remains locked to those water companies and understands what is going on.

Q106 Chair: Most of question three is done, because I allowed Chris in on the EU regulation, but there is a part of the question to do with countryside stewardship schemes. You have had to change those partly because of EU rules. We are a bit worried that farmers are not able to sign up quickly enough. Is there enough resource there with the stewardship

scheme? I do not know whether you want to answer that, Secretary of State, or whether the Farming Minister does.

Elizabeth Truss: We could both answer part of that. As I have said before, this year is the first year of a new scheme, which is always very tricky but particularly tricky with this scheme. Also, we want to make sure, as we have been talking about with water expenditure, that we are focusing expenditure where it has the most environmental impact. We have learnt lessons from previous stewardship schemes about where that is. What I would say—I am sure George can talk more about this—is that the number of applications we have had is in line with expectations; also, we have been able to get the payments out on the schemes.

George Eustice: I do not recognise speculation in the press that it is a disaster and no one has applied. It is just not true.

Chair: I am not saying it is a disaster. I am just saying there are some problems with it.

George Eustice: We have had around 2,300 applications for the new mid-tier part and around 1,000 applications for the upper tier, which is exactly where we expected to be. I would say this. The scheme is designed to pay farmers more money for the mid-tier than they would have got in the old ELS. An average ELS scheme used to pay in the region of £3,000 to £3,500; an average mid-tier one is going to be probably more like £7,000 or £8,000. There will be more things that farmers are required to do to get that extra money.

The other thing I would say is this year we have had the difficulties with the CAP IT system and the online application, and that has made it a little bit more complicated for farmers to apply in this first year.

The third thing is I know there have been some concerns around the fact that some farmers may have to take photographs of particular features, such as trees, that they have under management. I understand that, but we did have a real issue here, which was that the Commission were saying to us unless we can demonstrate that we are able to enforce and control these measures we would not be able to offer them at all. Faced with a choice of whether to have a system that was a little bit more onerous than, frankly, we would like, or whether to just delete those options altogether and undermine the value of these environmental schemes, I went for the former. We should do everything we can to keep these options there because they are valuable. Countryside stewardship schemes have a fantastic track record right across Europe. They have been a success. Let us not undermine what is successful about them.

Q107 Chair: If the farmers have to take a picture of the tree this year, as long as the tree is there next year they do not have to take another picture of it, do they?

George Eustice: That is right. There was some misunderstanding on this, and that is that the only people who have to produce pictures of the tree that is under management, as it were, are those who are singled out for a random inspection. Not every farmer has to do this. If they are singled out for an inspection, yes, they will have to go and photograph the tree, for which some of them might be receiving up to £500 payment for looking after, so it is not an unreasonable thing to request.

Chair: I do not blame you for it; I am just checking. That is all.

Q108 David Simpson: We move on to payments again. The Permanent Secretary confirmed to us last week that the BPS payments would start to go out at the end of December. Previous to that, the impression was given, I believe, that they would be out by December. I do not need to explain to either Minister the urgency of this and the much-needed funding that farmers require. Now we are being told it is going to be paid from December. Should Defra and the RPA not have been better prepared for this?

Elizabeth Truss: First of all, I completely agree with you that farmers are facing cash flow issues. Our absolute priority is making sure that payments go out on time. That includes the environmental scheme payments but also the dairy payments, which we are adding to our schedule, as well as the BPS payments. From earlier this year Mark Grimshaw has always been very clear that the majority of BPS payments would be paid in December and the vast majority paid by the end of January. We have regular meetings with Mark Grimshaw. He is still on track to deliver that. We have been through the process.

George mentioned the computer system. The fact is the core system—the Abaco system—is working. It is operational. The data that farmers have submitted has been entered by RPA staff. We would rather that people had been able to use the online mapping interface, but, given they were not, we made the decision to move to people submitting those forms by paper so that the RPA could put the data onto the system. That data has been put onto the system. It is now being verified and checked so the payments are ready to be made. I do have confidence that Mark Grimshaw is going to be able to deliver that. It is the majority by the end of December and the vast majority by the end of January. That is the commitment we have made. I understand how critical it is for farmers, and we have prioritised it. I know there are a number of issues where people have said, “Can you make part payments?” or “Can you pay 85% of a claim rather than 50% of a claim?” We have not wanted to complicate anything because we have not wanted to jeopardise getting the payments out on time. That is our absolute priority.

Q109 David Simpson: Are the costly failures in the CAP delivery programme indicative of a fundamental inability of core Defra management relationships with the agency to deliver this?

Elizabeth Truss: We are now in the position where Mark Grimshaw is the senior responsible officer for this project. He is in charge of it. He is accountable for it. George and I have regular discussions with him to make sure that project is on track. The core system that we ordered—the Abaco system—does work. The vast majority of the money we put in was put into that core system, which is operational now. As we have discussed at previous meetings, the online interface worked for a small number of customers but did not scale up, so we were not able to use it and that is why we switched to paper. There was a decision made—I think it was in 2013—about using the Abaco system and putting the online interface in that. In hindsight, that was not the right decision, but we are now in a good position with the same person in charge of the computer system who is in charge of the delivery. That is Mark Grimshaw, who has done a brilliant job at the RPA in turning round what was a shocking performance that he inherited.

Q110 Chair: Secretary of State, it was before your and all the Ministers' time, but why was that decision made? When you had somebody at the RPA with a proven record, Mark Grimshaw, who had picked up a difficult system previously and got it working well, why was he not immediately in charge of the new system? Let us be blunt about it: if you had not brought him in to save the day, we might not be getting any payments this year or next year or ever.

Elizabeth Truss: You make a very good point, Mr Chairman. As you have mentioned, George and I were not there at the time, so we do not understand the full ins and outs of what happened.

George Eustice: Mark Grimshaw was involved in this. The idea that he was—

Chair: Yes, but he was not in charge of it.

George Eustice: He was not in charge of it, no, but RPA staff were absolutely integrated. The entire system was being developed at the RPA offices in Reading, and I visited them several times. It is right that he was not the senior reporting officer, but the Committee would be wrong to conclude the RPA were not involved at all.

Chair: We wish you well with the present situation.

George Eustice: We are focused on the present situation. We have had representations to try to pay more of the ELS and HLS payments in the first instalment, for instance. We did not do that because we want to keep the focus on getting money out of the door quickly. This week more than half of those ELS and HLS people will receive a cheque. I think it vindicated our decision to do that—to keep it simple and to keep the focus on getting money out as quickly as possible.

Q111 Chair: While you are talking about getting money out quickly, what is happening about the special payment vis-à-vis dairy farming? Is that likely to happen quickly, or what?

George Eustice: Yes, and we are helping the other devolved administrations. In particular, I know Scotland are having difficulties as well with their own payment system, and so the RPA have offered to do it for the whole of the UK. They are working on that now. We have decided to keep it again as simple as possible, so the payments are based on milk production in the final year of quotas, and we are aiming to get those out at the beginning of December.

Chair: That will be good news, if you can.

Q112 David Simpson: I take it they do not have to take a photograph of the cows, the same as the trees. I want to encourage the payments to be made as quickly as possible. In Northern Ireland we have come through a very bad time in the dairy sector. They are waiting on the money, even though it was approved to be paid out in October time. We need it urgently, and I think all farmers do.

George Eustice: We recognise as well the difficulty Northern Ireland have, and that is

why when the fund was being negotiated we went to the wire to get an additional several million pounds to go to Northern Ireland so that we could give them a top-up payment.

Q113 Dr Paul Monaghan: Despite improvements in disallowance levels recently, the UK appears to be performing badly compared to other EU member states. Does the complex nature of the new CAP not mean the streamlining of farm inspections is a risky approach right now?

Elizabeth Truss: There are fundamental reasons why we have got a problem with disallowance. It is a problem we share with a number of other European countries. If you look at the best performers, they have had sophisticated mapping in place for quite some time and very good systems, which we are building at the moment. In terms of the inspection regime, a simpler inspection regime helps us achieve our objectives. I do not know, George, if you wanted to say more.

George Eustice: I suppose the point that I would make is whenever we try to make changes, as I pointed out earlier—we have looked at things like cross-compliance and intentional over-declaration, which is often a sore point where farmers are effectively deemed to have done something intentionally even though it was clearly just an innocent error or at best negligent—we get these difficult cases, and whenever I make a judgment call on that we get good legal advice first. We are not about taking reckless risks on this.

What I can say is the last Labour Government had difficulties with this issue as well. Labour Ministers faced these same problems. When it comes, for instance, to the idea of intentional over-declaration, I know that a former Labour Minister tried to push the boundaries on that and the country ended up with a £15 million disallowance fine as a result. It was done with the best of intentions. There is difficulty with this, but it is the right thing to do because we have to challenge the European Union on these issues where they are wrong. We want to move towards a simpler, more proportionate, more risk-based inspection regime. It is the right thing to do, and that is why reforming the regulations is our number one priority.

Elizabeth Truss: We do need to learn from other countries that have lower disallowance. We are looking at those. We are looking at, for example, how they do their mapping and how they do appeals to the Commission to get those results. We are dealing with a legacy issue. If you look at this year's disallowance bill, it is going to be determined by what happened in 2011. What happened in 2011 is generally down to the IT systems that were put in much earlier. The action that we are working on now really is going to influence years like 2019 and 2020. There is not a magic wand that we can wave to fix this year's disallowance problem, but we are doing all we can to reduce it.

George Eustice: The truth is that the disallowance system is a rather dysfunctional system for fining member states, to be honest. It takes six years to get from the point at which there is a disagreement between a member state and the Commission. It then goes through a conciliation process. To get to the point that you end up in the European Court of Justice to try to resolve it finally can take up to six years. It makes no sense at all. It is a very cumbersome process. The arbitrary way of taking a 2% or a 5% cut of the fund for what they deem to be errors in key controls really is not very proportionate. It is an area that we want to improve and sort out. That is through what is called the horizontal regulation,

which spells out exactly how these penalties work. It is not right at the moment. It is not fit for purpose and it does need reforming.

Q114 Dr Paul Monaghan: Thinking about that idea of improving things, what methods is Defra using now to assess the likely level of disallowance for 2015-16 under the new, more complex CAP arrangements?

George Eustice: Our aim is to get disallowance down as low as possible, but we want to do that predominantly by sorting out the EU regulations, which are quite often the source of the disallowance that we get, and to get a culture of more proportionate enforcement regimes right across the European Union. We have not really made an estimate as such, but what is true is that the new horizontal regulation changes the way disallowance is calculated. It is very complicated, but if you bear with me I can explain.

In the previous system, if you had three failures on what they call key controls, each of those attracted 5% but they would cap it at 5%. Under the new system if you had three failures of key controls the charge that they would attempt to levy on you would be 10%. In the new horizontal regulation going with the new scheme, the Commission did ratchet up the size of the penalties that they would levy. That could have an impact. That is why we have to be more careful than ever about the way we approach these things. Yes, try to cut regulation, but, coming back to the points you make about the complaints that we get sometimes around the enforcement that we need and the record keeping that is needed around those Pillar 2 schemes, that is driven entirely by this disallowance culture and driven entirely, really, by the shortcomings that are there in that horizontal regulation at the moment.

Elizabeth Truss: On your point about the 2015-16 figures, those are not going to be influenced by the new CAP, because those are the figures that were generated up to 2011, essentially. The new CAP is only going to be influencing things much later on in the Parliament, although there is a concern that because the European Commission are trying to catch up on disallowance you could have it squeezed, so you could have a higher bill in the middle of this Parliament. We are working with other countries that face similar disallowance problems to see what can be done to reduce the level.

Q115 Chair: This is a serious question, not a flippant one. Should this be part of the renegotiation that we are having now with Europe before the referendum? Should we not be seeking a simplified CAP and a CAP that suits us more as a nation state than the present one does?

George Eustice: The point I would make there is that CAP reforms come round every seven years. It is a bit like a bus that comes around. CAP has had this suffix “reform” for all our lifetimes, pretty much. The horizontal regulation will be something that we will be pushing for reform on in what is called the mid-term review, which will start next year and 2017. CAP reform is a never-ending process. Indeed, the discussions about the next CAP that will come after 2020 would begin in around 2018 anyway. I do not necessarily see it as being part of the negotiation the Prime Minister is doing—he has other issues he is fighting on—but that is not to say there will not be reform, because it is an inevitable part of the never-ending issue of CAP reform.

Elizabeth Truss: It is a fair point you make that one of the—

Chair: I have the scars to bear of previous reforms. It is making sure we have enough weight. I just feel it may be time for us to throw more weight at it than later.

Elizabeth Truss: One of the key points of our renegotiation agenda is competitiveness. No doubt, it is hitting the competitiveness of our food and farming industry. I have raised this with Commissioner Hogan. He accepts the point that food and farming is very important to the European growth agenda and at the moment this system does not work in that way. There are forces beyond DG Agriculture—i.e. the Court of Auditors—and that is really where we have to aim our attention.

Q116 Rebecca Pow: Six countries, I think, have paid these prices for not doing things correctly. Which would be a model country in Europe that we could model ourselves on, about which we could say, “They have never paid any of these” and look at what they are doing?

Elizabeth Truss: Ireland have done very well. One of the reasons is—this is back to the computer system issue—they have gradually, over a period of about 15 years, built up their computer system in house and mapped all their features very accurately. They have very good use of IT and technology—also for things like animal movements tracking, which we are also looking at. It is essentially countries that have had those very comprehensive IT systems and worked on them over a period of time, whereas we started working on the new system in 2012 or 2013; it is maybe not long enough a lead time to get that accuracy you need.

George Eustice: The reason you had such high disallowance with the problems between 2005 and 2010 was that the mapping—the real land register—just was not up to scratch. That was deemed a failure of a key control on the biggest element of CAP, which is the Single Farm Payment. That became very costly. It cost hundreds of millions of pounds. If you can get the IT right, that is the quickest way to get the bill down. There will always be some disallowance, I am afraid. We have even had instances where a British court has issued an order ordering the Government to do something that then puts you in breach of the EU auditors’ interpretation of their rules, and then you get disallowance. There will always be an element of disallowance because a lot of it is down to the interpretation of EU regulations, and sometimes our lawyers take a different view to the EU auditors.

Chair: It is not just the badgers that have moved the goalposts; the EU has moved the goalposts as well.

George Eustice: It is a very important point. People often talk about gold plating, but I have been convinced, doing this job for two years, Defra do not do gold plating. The gold plating, though, does come from the EU auditors and the way they interpret some of the EU regulations.

Elizabeth Truss: It is back to a broader point about how we need to reform Defra. It does have to become a more data-led, digitally led Department, which is embedded in everything we do. These maps, which are very important in terms of our farm inspection regimes, are also vital in terms of what we are doing on natural capital, what the Environment Agency is doing on flood defences and what Natural England is doing in terms of biodiversity. Hitherto, these things have not been joined. We have had two separate systems. Some of the best modelling in IT is in the Environment Agency, and yet

we have a separate system running at the RPA. There is a lot we can do to link up much better and make sure we have those skills that we need to be able to build those systems and models that are increasingly relied on across the board.

Chair: Good point.

Q117 Dr Paul Monaghan: Given that the assessment methods have not changed, or the new complex CAP arrangements have not yet been implemented, what level of disallowance are you currently predicting for 2015-16?

George Eustice: We do not really predict it because it is a very unpredictable thing, to be honest. It comes down pretty much to the view that a particular auditor takes on a particular day. All I can say is wherever we can we challenge them as well. There is at the moment a discussion going on around the disallowance on LEADER, and we have managed to move the Commission down on that. We are very challenging in terms of making sure they do not make unfair demands, but it is very hard to predict disallowance. All we can say is that it is a slightly inevitable feature of the system we have, given the way it is set up and given all the shortcomings of the system of penalties.

Elizabeth Truss: We do make a budget provision for it, because we have to.

Q118 Dr Paul Monaghan: What is your budget provision?

Elizabeth Truss: For next year? That is what we are working on at the moment.

Chair: Do not forget it is historic, from about five or six years previous. That is the thing.

Q119 Dr Paul Monaghan: I would like move away from the CAP and think about food safety now, if that is okay. How do you ensure that there is sufficient ministerial attention on food safety, given the split in responsibility between you and the Health Secretary for the Food Standards Agency?

George Eustice: One of the recommendations that came out of Professor Elliott's report last year was the establishment of the Food Crime Unit. That was set up at the end of 2014. There is a ministerial oversight committee that monitors the work of that. We met before the last election. We are due to meet again at the end of December. Represented on there will be myself and Jane Ellison, the Health Minister with responsibility for the FSA, but also Karen Bradley, who is the Home Office Minister responsible for dealing with these issues, and Nick Boles, who is the Consumer Affairs Minister. There is that cross-Government ministerial group. There is also an officials working group that meets four times a year.

Q120 Dr Paul Monaghan: Last week when we were speaking with the Permanent Secretary we discussed the Food Crime Unit. I would be very interested to learn what your estimate is of the impact of the Food Crime Unit in reducing fraud in the food supply system.

George Eustice: It has made a strong start. It has a staff of around 35 to 40 people. It also has police expertise seconded to it with expertise in intelligence gathering and in targeted investigations. I know that in this first year they have done quite a lot of work, for

instance, on counterfeit alcohol, which can be a serious health concern as well—particularly counterfeit vodkas. They have done a lot of work in that area. They have also done some work on DNP, which is a type of drug that has been causing issues. They are doing this work. It is intelligence-led. Alongside that as well it is very important that the industry do their bit. That was the other part of what Professor Elliott recommended. I know that getting the industry involved in terms of whistleblowing and that kind of thing is also important to make it work.

Q121 Dr Paul Monaghan: Do you feel that budgetary constraints on local councils constrain their ability to ensure food retailers maintain appropriate food safety standards?

George Eustice: There is still a huge army of trading standards people nationally, which means it is very important resource for the Food Standards Agency to work with. The thing about trading standards is it is quite a flexible resource, so when you have a particular problem in a particular area you can move people on to it. That is still robust. We do need to have an intelligence-led approach if we are going to tackle the sort of food fraud that we saw two years ago at the peak of the horsemeat scandal.

Q122 Dr Paul Monaghan: Just to follow that up, not quite so much about trading standards but thinking about environmental health issues and things like that, that will be impacted by budgetary constraints as well. Is that going to affect the delivery and maintenance of food safety standards?

George Eustice: I do not think it does, no. Everybody has budget pressures at the moment, and we all know the reasons for that, but the environmental health office is a key function for local authorities. Although local authorities are experiencing some pressure, we have not had any indication that any of them are abandoning the work they need to be doing when it comes to environmental health.

Q123 David Simpson: One of the issues that currently is of great public concern is that of food waste. Would your Department consider more regulation to reduce food waste? Secondly, what improvements have been made in the level of food redistribution to those who need it rather than wasting it?

Rory Stewart: There have been some very good initiatives on this recently. This mostly happens, as you are aware, Mr Simpson, through WRAP and the Courtauld Commitment. We have had real improvements in food waste. One of the big moves has been the retailers are engaging more. Tesco in particular should be congratulated for the work they have been doing. They have just piloted, for example, a new app with a company that redistributes surplus food from Tesco to charities, and that has been a success.

You asked a separate question about regulation. As you will be aware, in France and Belgium regulation has been proposed. Some of that legislation in France has been more difficult than they initially anticipated, but it seems to have gone through in Belgium. From our point of view, we do not see that as being at the moment the right approach to pursue. We will watch that carefully, but my gut instinct is that the danger of that is what that approach does is compel a situation in which food retailers benefit financially for passing on food waste to a charitable consumer—they get tax relief for doing that—and it could, if mishandled, perversely incentivise the production of more surplus food. What

we want to do in this Government is prevent the production of surplus food. We wish to prevent waste at source. We do not wish to create a system that incentivises people to produce surplus food.

Q124 David Simpson: So what you are saying is better partnerships with the multiples and others to try to get them to offload surplus to those in need rather than bringing in stiffer regulation.

Rory Stewart: Absolutely. To return, Mr Simpson, to the source point, there are some quite interesting things we are learning all the time. We have just done a study on potatoes. By changing the species of potato that you plant, you can reduce food waste in the potato chain by about 30%. It is better for the farmer, better for the consumer and better for the environment. More of those sorts of studies, I believe, will have a much more radical impact than legislation.

Q125 Simon Hart: While we are on food, I have a question that is not completely related, but is closely related, on food labelling. When we spoke to the Permanent Secretary last week, we observed that over 20 or 30 years there has always been great intention and warm words about improving the situation regarding food labelling, but that was not reflected in progress in delivery. We were slightly reprimanded by the Permanent Secretary as having not noticed the very many things that have been done that have improved the situation, which led us to a question about communication. How do you—and how do we—communicate the good news? What is the good news, and how are you proposing to deliver that?

Elizabeth Truss: The good news is thanks to representations over the course of the last Parliament we now have compulsory country-of-origin labelling on products like lamb, goat, pork, etc. That news came out in April, bang in the middle of the general election campaign, which might explain why we struggled to communicate it amongst the other things that were being discussed. Now what we are pushing on is better labelling on dairy products. We had a meeting earlier this week with Commissioner Andriukaitis, who is responsible for DG SANCO and who is looking at this. We have also made representations to Commissioner Hogan. There has been a resistance to the idea of dairy labelling because of the cost it would impose on producers. My view, though, is we should be looking at products like milk at the very least, the products that are not difficult to identify, and getting proper country-of-origin labelling on them. In the meantime, we are working with retailers at the moment about how we make sure that they have prominent labelling on their packaging.

Q126 Simon Hart: We have been having this conversation for generations and it has reappeared in various successive manifestos. At what stage are we going to be able to say that a product that is on the supermarket shelf in the UK with a Union Jack on the front, not tucked away on the back, is born, bred, produced and packaged in the UK? When can we say that with absolute certainty?

Elizabeth Truss: We can say that now for those products—not for dairy, which we are still working on. We have a voluntary code on dairy, but we can certainly say—

Q127 Simon Hart: So anything else with a Union Jack on the front is, as I have described, all bred and produced in the UK, nowhere else.

Elizabeth Truss: Absolutely.

Simon Hart: Fantastic.

Q128 Rishi Sunak: Changing topic, it was very welcome to see the Rural Productivity Plan published over the summer. A central part of that was connectivity and broadband at the heart of that. It is not your primary responsibility, but I am keen to understand how you are working with DCMS to ensure ideally 100% rollout of superfast in the coming years, particularly that focused on the last 5% or 10% in rural areas, through either satellite broadband vouchers or alternative technologies.

Elizabeth Truss: We are a member of the Digital Taskforce, which is specifically looking at how we reach that final 5% beyond the 95% we have committed to. There are various solutions—for example, smaller boxes—we may be able to use to reach those people. I agree with you it is a necessity for modern life for people to have access to broadband, but also high-quality mobile signal and being able to use 3G and 4G mobile in rural areas. The point I would make about the Rural Productivity Plan is it is the first plan that has been produced of this nature, highlighting the gap that we currently have between rural and urban areas.

We are going to be responding shortly to Lord Cameron's report on rural proofing about the measures we are taking across Government to make sure that rurality is looked at as part of every policy area we consider. What we have done in the Rural Productivity Plan is highlight those areas of priority. Connectivity is one of them, which we are working on with the Digital Taskforce. Another area is childcare. We know that maternal employment rates are much lower in rural areas than they are in urban areas, and one of the reasons for that is availability of childcare. We are working with the Department for Education and making sure that the pilots they are carrying out on the new childcare for three and four year-olds covers rurality and covers rural areas.

Chair: We will cover rural proofing in the next question, if that is alright, Secretary of State.

Elizabeth Truss: Forgive me. The point I am making is that we want to make sure that overall every Government Department is looking at rurality in every decision they make, but the Rural Productivity Plan highlights the real issues where we feel there is a gap at the moment that we are going to pay particular attention to. One of the things we are working on with other Departments is making sure that those agenda items in the Rural Productivity Plan are part of their single departmental plans, so it is baked into their plans over the next five years in those critical areas.

Q129 Chair: Specifically on broadband, one of the problems is every time you get to 90%, and then 95%, and then trying to get to 100%, it is the people who are hardest to reach who get left off every time. I just wonder whether we ought to have a taskforce that is going to hit those hardest to reach people so we go for the 100% straightaway. Otherwise, they get left off all the time. They are in pockets, so it might be 90% or 100% of a particular village that cannot get it. I think that is the frustration.

Elizabeth Truss: Absolutely. I represent a very rural community and I know the

frustration of those villages who feel they are not far enough up the list. We are pushing very hard to make sure that there is the appropriate funding and mechanisms to reach all of those consumers. Also, in terms of our own services at Defra, if we want farmers to be able to register online for BPS, they need to have access to broadband in order to be able to do that. We are looking at those technical solutions to reach the final 5%.

Q130 Rebecca Pow: We have already touched on this. My question is really about rural proofing, which is all about Lord Cameron's report. Rural proofing comes under your hat now, does it not, with Defra?

Elizabeth Truss: Yes.

Q131 Rebecca Pow: It sounds like the gap between urban and rural is still rather large—18%. I know you have referred to other Departments, but I gather half of them have still failed to address rural issues. How do you think you can really get them to take that on board with housing, for example? It covers such a wide remit, but it is so important to particular areas of the country that do not have these big urban centres, like the south-west, for example.

Elizabeth Truss: I completely agree with you. We are seeing the productivity gap beginning to close, and our aim is to eradicate it. It will take some time. The reason it is closing is due to improved connectivity in rural areas. That really is the major driver. Improving road conditions, and improving mobile and broadband, is critical.

In terms of other Government Departments, you mentioned planning. Planning is a key part of the Rural Productivity Plan. First of all, it is making sure that starter homes are available in rural areas on rural exception sites so people can live and work locally, which is very important, but it is also looking at business planning. The CLA did a survey recently on the issues facing rural businesses, and the number one issue was planning and the ability to expand their business. We have committed that this autumn DCLG are going to have a review into what are the barriers in planning that face rural businesses. We do have some additional permitted development rights, but we want to extend them and make sure they are being used properly.

Sitting suspended for a Division in the House.

On resuming—

Q132 Chair: Welcome back, everybody. We will move on to question 11 and we will come back to question 10 on flooding—Margaret is going to deal with that—because Lord Gardiner may have a vote. Simon is not here, so I will move into it. It is a question about animal and plant diseases. What impact have Defra's strategies such as the tree health management plan had on the likelihood of diseases such as ash dieback recurring or spreading in England? I take it Lord Gardiner will answer.

Lord Gardiner of Kimble: Thank you, Mr Chairman. It is a great privilege to be able to participate in this meeting. I have responsibility, as part of the team, for biosecurity. Quite clearly, trees are an essential part of our landscape and heritage and, in towns, suburbs and villages in the countryside, they are key to our wellbeing for a whole variety of reasons. That is why we take very seriously indeed the issue of tree health. The

Government is very committed to this, not only for public forests. We have, as many know, pledged that there will be, on the part of the Government, the planting of 11 million trees. I hope that signifies to the Committee the importance placed on our treescape.

The threats to tree health have increased for a number of reasons, including the globalisation in trade and travel and, indeed, the volume and diversity of plants and trees coming to this country. It is probably the case that climate change also increases the risk of pest establishment and, if we are not careful, spread and impact. The Secretary of State has already mentioned that all of us Ministers meet on a regular monthly basis to deal with biosecurity matters. Almost on a daily basis, I am working with officials on these matters.

Referring specifically to the tree health management plan, which was published in 2014—the backdrop to this was ash dieback, oak processionary moth, and *Phytophthora vis-à-vis* larch—our plans have been as follows to reduce the rate of the spread. We applied an import ban and national movement restrictions on ash. Particularly on larch, we have been seeking things like the removal of ponticum, because that has been a vector. We have been very keen on that and also on oak processionary moth, which we wish to contain. It is mainly in London, although there are areas in Surrey where it has appeared more recently. We have different elements as part of the plan to deal with all of them. We also want to build resistance to the disease. This is why investment in research is very important. Specifically on ash dieback, we have been funding six major research projects involving 17 institutions across academia and Government, with Defra contributing £3.5 million of the £4 million. That is part of a much bigger budget in terms of plant health research.

As part of that management plan, we also clearly need to engage people, landowners and industry. This is something where the monitoring is going to be done around the country, and that is very important. It is, particularly with Chalara, why we have established the Tree Health Policy Group, which is also co-funding citizen-science initiatives such as the open-air laboratories, annual tree survey and the observatory project. It is all about feeding back, wherever we can, how we can monitor the spread and how we can deal with it, but it is also about building environmental and economic resilience for the future.

Beyond this 2014 tree health management plan, we wish to take it a stage further. That is why we are currently working on a tree health resilience plan, which I hope we will publish in the spring of next year. It is going to be a very important strand not only of the five-year strategy but also in developing the 25-year Open Environment framework. All of this is going to be a key part of our work. The vision of what we all want for trees is to ensure they are more resilient to threats and that we maintain the productivity and biodiversity. We want to have a much more overarching approach.

Ash dieback is an issue that many Members of Parliament are going to see in the next years. It is overwhelmingly airborne: that is how we would have got it. Kent, and particular local authorities in Kent, are starting to observe the predominance of it. Unfortunately, we are not in a position to eradicate the disease, but there are some interesting features about the research work. Amongst other things, ash has a very wide genetic diversity, which is rather different from elm. Although this is a very cautious optimism, we are hoping that there is going to be a greater tolerance found. In Norfolk, for instance, there are planting areas where we are seeking to find out which are the ash trees that are the most disease-resilient. As we know, they are quite fast-growing trees.

Where we can, what we want to do is ensure that our tree planting helps with the loss of the ash, but we are very much hoping, with the work we are doing, that we can secure a future for the ash tree, which I hope and we hope, because of its different genetic diversity, will have a different experience to the Dutch elm disease, which many of us saw in our youths.

Q133 Chair: Elms just have not recovered. Every time they grow, they then get Dutch elm disease again. We do not want that happening, if at all possible, with ash dieback. Is there any resistant ash out there? Are there resistant ash trees in other countries? What can we do? Otherwise, I rather fear we might be fiddling while the ash trees die.

Lord Gardiner of Kimble: That is why my optimism is cautious. This is why research is important. All that we do—everything we do in the Department—is based on the best scientific assessment that we can find. That is why we are working with a whole range of very senior institutions of the best order. But we are cautiously optimistic, because of its diversity. In Denmark, for instance, we think that it has affected 90% of trees, so there is a 10% resistance. What we are doing, particularly in Norfolk and other places—such as the John Innes Institution in Norwich—is working on identifying the disease-resistant strains. If we can do that, we will be able to help re-establish the ash in our countryside and in our towns, where it is so important.

Chair: It will propagate from these particular trees.

Lord Gardiner of Kimble: Correct. As the Committee will know, this was one of the greatest dilemmas about what we were trying to achieve in years past with the elm. The genetic diversity is not apparent in the elm, whereas it is in the ash.

Chair: Let us hope we are successful.

Q134 Chris Davies: Briefly, Chairman, I have two points. I will declare that I am chairman of the all-party parliamentary group on forestry. Do you envisage a future for the Animal and Plant Health Agency, which comes under your remit? It is very important, certainly at times like this. It is also a UK organisation as opposed to being devolved. One would hope that there is a very strong future for this in your Department. Secondly, going back to Lord Gardiner's points, I met with the industry a few weeks ago and they were very concerned that there was not a sufficient planting programme in place. Can you confirm that there is?

Lord Gardiner of Kimble: So far as ash is concerned, we are of the view that until we get tolerant strains and we identify those, to be planting and potentially spreading is not the sensible way forward. In other words, when—I hope—we are successful in identifying those tolerant strains, that would be part of what we want to do in the long to medium term.

Q135 Chris Davies: I am sorry, Lord Gardiner. Can I stop you there? Perhaps you have misjudged the question. They are talking in general terms about planting, not purely ash.

Chair: You are talking about planting grants, I suspect, are you?

Chris Davies: Yes.

Elizabeth Truss: We have a manifesto commitment to plant 11 million trees over the course of this Parliament. That will be in a combination of ways. One of the key ways is through the countryside stewardship scheme. One of the things we have been talking about regarding the Open Environment framework is making sure we are planting those trees in the right places, where they have maximum environmental benefit. That is very important. We are looking at a number of different programmes at the moment to be able to achieve that objective, but I am very clear that is a manifesto commitment.

In terms of APHA, it is a vital part of what Defra does. Its role is integral. We know from previous disease outbreaks like foot and mouth just how devastating they are. One of our priorities is making sure we retain that emergency response capability and we have regular practices of simulated outbreaks to make sure that we have that capability in place. Early identification, though, is really important and we are getting better at early identification, but we are far from complacent on this. Lord Gardiner and I are making sure that anything that comes up is dealt with immediately and we have those people.

With APHA, though, as with RPA, EA and Natural England, which are our four biggest agencies apart from central Defra, there is a lot more work to do in making sure we are integrated fully as a Government Department, that we have a single plan and that we are using our resources to best effect. For example, in respect of the single farm inspection taskforce, most of those farm inspections are carried out by either the RPA or APHA. We have now created a single helpline for farmers to get in touch with. Rather than having to ring the separate organisations, they will ring a single helpline. We are also going to be combining farm visits to make sure that we are not duplicating. If somebody in APHA goes out to a farm to, let us say, conduct some TB testing or something like that, they are also making the other checks the RPA would make, so we are not duplicating. There is a lot more scope for us to integrate our operations better, but that core expertise that APHA has is vitally important.

Rory Stewart: Mr Chairman and Mr Davies, specifically in relation to the forestry industry, as you say, it is unbelievably important to us in Britain. This is a £2 billion industry; there are 40,000 people employed in this industry. Again, to take Lord Gardiner's words, there are some reasons for cautious optimism. In 2008, for example, we were only producing 8 million tonnes of timber; we are producing 12 million tonnes now. That is up by a third. We have more woodland cover than at any time since the 14th century. But you are absolutely right: we need to look very carefully, moving forward, at this. That is why the Secretary of State's Grown in Britain has been very important. She did something—perhaps she would like to speak about it more—that happened last Monday that is about making sure we get the full benefit not only from softwood but also from hardwood, which is a massively under-tapped resource, and that we manage our existing woodlands better.

Elizabeth Truss: Yes, last week we launched the Grown in Britain Week. I did it at Heal's, which sells all kinds of furniture made of different types of British wood. What this is all about is making sure that more of our forestry and woodland is under management, and that we are getting those environmental benefits as well as getting the economic benefits from the £2 billion timber industry—and also making customers more aware. In the same way that we want them to understand where food comes from and to look for British food, we want people to understand where their furniture comes from and

how their houses are built. I also visited a construction site. Last year, I visited a residential construction site; this year it was a commercial construction site very near Tottenham Court Road. They are now using British timber, whereas previously they would have used imported timber. It is all about making sure that our building standards fit with British timber standards. I represent Thetford forest, which is our largest lowland forest and also a major timber producer, so I have a strong constituency interest in it as well.

Q136 Chris Davies: We seem to have a major policy of replanting broadleaf, whereas the industry itself is crying out for conifers and spruce. Are we looking to change our policy towards re-planting?

Elizabeth Truss: We need both. It is not an either/or. If you look at the construction industry, there is a big demand for more of the softwood, but there is a growing interest in some of the hardwood varieties as well.

Rory Stewart: There are some very interesting models. The Heart of England forest, for example, is a model of a private landowner making some really smart investments, creating an enormous amount of new forestry. We have been trying to discuss with people like ConFor the opportunities available to buy the land and plant the land themselves. There is certainly real Government enthusiasm for the wood-processing industry, and there is a great deal of land that can become available. It is often a question of ConFor and the forestry industry putting the proper financing structures in place for them to buy the land and plant it.

Q137 Rebecca Pow: It is not commercial forestry, but yesterday we launched the APPG on Ancient Woodland. I am the Chairman. I would be delighted if the Secretary of State had any ancient woodland in Thetford forest. I could look it up for you. I have a little list of every single constituency and how much ancient woodland is in each constituency.

Elizabeth Truss: There is ancient woodland in Thetford forest.

Q138 Rebecca Pow: I would be delighted if you would like to join. Only 2% of our woodland is ancient woodland, but it is really on the natural capital idea. This is as precious to us as rainforest, and it is not protected in any way. I wondered if we might have a discussion about that or whether you might consider feeding that in to your natural capital ideas, because the benefit for the environment and the knock-on effects to the soil are great.

Rory Stewart: It is immensely important. You are right: ancient woodland, as a category, is not a protected category, but an enormous amount of our ancient woodland is already protected within our national parks and within AONBs. A lot of it is covered by Natura sites under European legislation and a lot of it is protected under SSSI legislation.

Q139 Rebecca Pow: But a lot of it is not SSSI. I was really surprised by how much of it is not protected.

Rory Stewart: The other thing where I absolutely agree with you is that the benefit of it is immense to biodiversity—a single oak tree is just humming with life, as you say—but also in terms of visits. We had nearly 14 million visits last year of British citizens to woodland. It makes a huge difference to people's hearts, souls and lives. We are getting a

bit better, not just with ancient woodland but even with commercial forestry. Taking the Thetford forest example the Secretary of State has mentioned, we have had an incredible success with our Gruffalo trails last year, which are bringing a whole new generation of young children into what traditionally would have been seen as commercial softwood.

Elizabeth Truss: I have to say my children have visited the Gruffalo.

Q140 Ms Margaret Ritchie: In terms of flood defences, of the £250 million secured contributions, £61 million is from private sources, including private businesses and companies, £89 million is from LEPs and other public bodies, and £100 million is from the local levy. Secretary of State, how are you going to achieve the step change in funding from the private sector that you need for flood defence schemes, considering that you have only around £250 million external funding secured so far?

Elizabeth Truss: Thank you for the question. First, if you look at the flood capital settlement, it is the first time ever we have had a six-year settlement worth £2.3 billion. That is a real achievement and that will reduce flood risk by 5% over the next six years. To have that settlement in difficult economic times is very important, because the history of flood-defence spending has been from feast to famine, which is not optimising our resources at all. The fundamental fact that the Government is investing to that level in flood protection is important.

If you look at our record in terms of private funding, from 2011 to 2015, we raised £134 million through partnership funding; in the previous four years it was just £13 million. We increased the level of partnership funding by 10 times compared to the previous four years, which is a real achievement. In terms of our programme going forward, we have already secured £250 million—and that is only one year into the programme. We have already made an improvement on our previous performance, which was a massive improvement on before. We have also already identified potential contributions for the remaining £350 million. They have not signed on the dotted line, but we have identified those £350 million worth of contributions. It is important to note that the Chancellor, in the recent Budget, announced tax relief for business contributions, so now businesses have a real incentive to put money into flood protection.

We do have a positive story, but you are right to say it is not just private contributions. It is also local authorities and other local organisations. That is right, because if you look at what the role of a LEP is, quite often flood-protection expenditure can help unlock pieces of land that then have massive benefit to the local economy. It is right that organisations like LEPs and local authorities contribute when there is economic development potential, and many of them are very willing to do that. What we have done with our new flood-defence programme is opened it up so that all of those various contributors are able to participate. That means that schemes that previously would not have become viable because they did not protect enough houses are now becoming viable because of the economic potential they bring to a local area. It is positive. We have already earmarked the money, so we think we know where those contributions are coming from. We just need to get those organisations to sign up to it. We are making really positive progress on that front.

Q141 Ms Margaret Ritchie: Given the short-term pressures on the resource budgets—you have outlined some of those and how you have been able to lever in other funding—has Defra made a case in its submission to the Treasury spending review for ring-fencing budgets for maintaining flood defences?

Elizabeth Truss: We have the commitment on capital, which is a real achievement, in terms of getting that committed for six years for the first time. Revenue budgets are more difficult to get ring-fenced than capital budgets. We want the flexibility to be able to achieve results. What matters is what the state of our flood defences is. Are they prepared if something should happen? Rather than a fixed amount of maintenance, for me it is about making sure that all of our flood defences are in the right condition to deal with a flooding incident should it happen. Rather than looking at the money we spend, we need to look at the condition of our flood assets and whether they are prepared. That is the job of the Environment Agency.

As I outlined earlier, there is more scope for organisations like the Somerset Rivers Authority or IDBs to take more of a role and for local landowners to take more of a role in doing some of the work at a local level. We are freeing them up to do that. At the moment, they are quite often precluded by regulations and the Environment Agency has to do that work, which is inefficient.

The natural capital model will also help in terms of people being able to understand where the best place to invest to reduce flood risk is. Is it upstream? Is it downstream? Is it when a new housing development is built? How can the work they are doing help deliver flood protection? We are looking at it as a much broader theme.

The core programme is very sound. From the floods of winter 2013-14, we have now completed 99% of the permanent repairs and all of the repairs are up to standard. The remaining 1% are still temporary. That shows to me that our flood assets are in pretty good condition.

Q142 Chair: You raise a very interesting point. The inquiry we had in the last Parliament showed that a lot of the maintenance work could be done much better locally and that is where the drainage boards could come in. In my constituency, we had a shopping trolley that went into a culvert. It then got full of wood and a huge flood happened. You need that to be hoicked out locally rather than waiting for the Environment Agency to come from either Bristol or Exeter. You are very keen on drainage boards, as I am, but what are you doing proactively to bring more drainage boards into being? We can talk about it, but it is actually getting it to happen.

Elizabeth Truss: The Somerset Rivers Authority has now put forward its report on its future funding. We are looking at that. That is something where the solution was not local enough before. We have recognised that and we have now empowered the Somerset Rivers Authority to look at where the optimum place for them to spend money is. That is happening. I hope that more will join that pipeline. There are other areas of the county where I have had discussions with the local MPs—for example, East Yorkshire is a potential area we are looking at. It is a model that does work in areas like Lincolnshire and Norfolk and I would like to see it extended more widely. We are very open to local communities coming forward, and local landowners and farmers coming forward. The

Environment Agency has a very important role to fulfil. They are very expert at things like flood modelling, the analysis and the monitoring—they really are world experts—but that does not mean they have to do everything. What I want is for their data and information to be widely available to local communities so that they can take action themselves in a way that is much more cost effective. What we want is the Environment Agency taking on that strategic role rather than feeling it has to do everything.

Q143 Jim Fitzpatrick: Secretary of State, Ministers, good afternoon. Can I apologise for interrupting you at the beginning of your evidence? That was very rude of me and I should not have done that. Can I move on bovine TB and ask what evidence base you are using to determine the success or otherwise of the bovine TB strategy and when that might be published?

Elizabeth Truss: The overall evidence base we are using for our 25-year plan, which we are very committed to and have laid out, is the evidence from other countries that have successfully eradicated bovine TB. If you look at Australia, the disease has been eradicated. In Ireland and New Zealand, the disease has been reduced. We take very seriously the advice of our Chief Veterinary Officer, who comments on the specific elements of the programme. That is the basis on which we are pursuing our strategy. In terms of the evidence on the ground and what is happening on the ground, we should have further data available towards the end of this year, which we will be looking at.

Q144 Jim Fitzpatrick: That is quite long awaited and expected. People will want to see the data to determine whether or not the strategy is working. You did not mention Wales among the countries that you are comparing us to. Obviously, it is closest. Since they introduced annual testing five years ago, in the last four years they have had a 46% reduction in the numbers of animals slaughtered. They have not introduced culling. Are you looking closely at what the Welsh have done? Can I also ask you: what is the frequency of testing of herds in England?

Elizabeth Truss: We have a comprehensive strategy. This involves cattle movement controls and regular testing. We take a risk-based approach to testing on the advice of our Chief Veterinary Officer, which involves vaccination in the edge areas and then culling where the disease is rife. We need to look at the overall programme and we keep introducing new measures. This is not a fixed strategy; it is a framework in which we operate. We take very seriously the advice of the Chief Veterinary Officer on that.

In terms of the situation in Wales, we are now in the third year of the culls here in England. I believe their strategy is about two years old. Really, it is too early to tell in terms of getting on top of the disease. This is a long-term strategy that will take a while. We have the highest rates of bovine TB here in England of any country in Europe. What we need to do is wait for the evidence to come out and analyse it on a proper basis, but I am committed to following that evidence and what will deliver the best results. As I say, we take a risk-based approach to testing.

George Eustice: If you look at cattle testing, the regimes in Wales and England are very similar. You asked about frequency of testing. In our high-risk area we have routine annual tests; there are pre-movement tests that people have to do when they are moving cattle on; and now we are in the process of introducing compulsory post-movement tests for cattle that move from the high-risk area into the low-risk area. In the low-risk area, it

is a four-yearly test. Where we have a breakdown, we do something called radial testing, where you go 3km out and test every farm in that area. We have a similar process if we get a breakdown in the high-risk area; we have contiguous testing, where, once there is a breakdown confirmed, you immediately test all the other animals around.

The other thing that is similar between us and Wales is in Cheshire, where we had a hotspot problem last year. We introduced six-monthly testing to try to get on top of the problem there. That has been quite successful. Wales have done something similar in some pockets where the disease is rife as well. There is a lot of similarity.

The problem with the TB debate is that it often gets polarised around the badger cull, for reasons we can all understand, but the reality is this is a very difficult disease to fight. It is a slow-growing, insidious disease that is difficult to detect. No vaccine is perfect. It is not like Schmallingburg, where we have a vaccine that is 100% effective and can take the disease out. In TB, the vaccine is only 60% or 70% effective. None of the tools that we have are perfect for dealing with it, and that is why we have to pursue a range of options.

The other thing I would say on the badger cull—anecdotally, people are saying some herds are going free—is that it is far too early to be able to demonstrate that it has had a big reduction in the disease. What we do know, from the figures we published in August, is that so-called perturbation effect that people often refer to was far lower than anyone expected. There was an effect, but it was very minor.

Q145 Jim Fitzpatrick: The polarisation you mention, Minister, must be very frustrating, because this is almost becoming polarised politically between Government and Opposition, between animal welfare people and between urban and rural. In the Labour Government cull between 1998 and 2005, 10,000 badgers were taken out. For me, this is not a political issue; this is an issue of how to look after the herds across the UK. That is why the evidence is so important—to be able to demonstrate biosecurity, movement and regular testing. The Welsh figures look quite impressive at the moment. It has only been in for five years, but there has been a near 50% reduction since annual testing was introduced. I hear what you say, Minister, about six-monthly testing in the hotspots. When you say the evidence base will be published by the end of the year, Secretary of State, is it the end of the calendar year or the end of the Parliamentary year?

Elizabeth Truss: Calendar.

Q146 Simon Hart: I want to pick up on a comment that George made about evidence and analysing evidence. I can completely understand the Government's reluctance to comment too much on the analysis, but is it fair to say that the early indications of the numbers of herd breakdowns in the cull area are significantly less than those not in the cull area? You do not have to explain why. Is that rumour correct?

Elizabeth Truss: If we were to say that, we would be slightly falling into the same trap as the analysis about Wales. That is why I refer to countries like Australia that have succeeded in eradicating TB, or Ireland and New Zealand, where there have been dramatic falls over a number of years. This is not a short-term programme. Yes, we will be getting results at the end of this year, but it is not a silver bullet. We will not have the answer about whether it works. What we need to do is keep looking at the evidence, analysing it and adjusting our programme accordingly. What we are very clear about is that the

countries that have succeeded in eradicating it or almost eradicating it have used culling in the wildlife population as part of the strategy. It would be wrong to rule out that as part of a strategy when we know it has worked elsewhere. We want to listen to the evidence. The key person in our organisation who is looking at the evidence is the Chief Veterinary Officer. With all due respect to Ministers, we take advice from the people who are experts. He was very clear, following the results of last year's culls, that culling can be safe, humane and effective in helping to deal with the disease. That is what we are basing our decisions on.

Q147 Chair: I understand it is too early to be able to analyse this data, but certainly the evidence within the Somerset zone of culling is that the number of cattle being taken with TB since the cull is much less than it was before. I understand it is too early to release that data, but they are more than rumours; there are statistics there already.

Simon Hart: That is all I was asking, really: "Is that correct?", not "Why is that correct?"

Elizabeth Truss: We have this discussion with our Chief Veterinary Officer and he says it is too early to tell. He said that the way the culls have operated has been effective, safe and humane, but it is too early to tell. We are making the same point about Wales and exactly what has caused the fall in disease in Wales. What we do know is the experience of Australia, Ireland and New Zealand, and that is what we should be looking at. We have to go on the advice of the Chief Veterinary Officer.

Q148 Simon Hart: In the analysis, does the Chief Veterinary Officer talk to Christianne Glossop in Cardiff in order to superimpose the evidence and to identify similarities and differences?

Elizabeth Truss: Yes, absolutely.

Q149 Simon Hart: One of the observations that Christianne Glossop appears to have made is that the results, for example, within the vaccination area over the last couple of years are pretty well identical to the results outside the vaccination area, which raises questions. It may not provide answers, but in identifying the effect of the policy in England and the effect of the policy in Wales, those two are presumably superimposing their own analyses and findings.

Elizabeth Truss: They are, and they are in regular discussions, but as Minister Eustice points out, there are a lot of similarities between what Wales is doing and what we are doing in England in terms of cattle movement controls. It is quite hard to isolate particular policies. What would be wrong would be to stop doing one part of the policy because it is politically unpopular when we know that it has worked in other countries.

Q150 Simon Hart: The reason I mention the polarisation point that Jim makes is that you have some people saying the Wales model is the perfect one and others saying the England model is the right one. If there is significant overlap, it reduces the chances of polarising the argument and fogging up the system.

George Eustice: That is right, but the other thing that we are doing at APHA is that there is a team at Weybridge working on a very extensive project looking at the epidemiology of

the disease in different parts of the country under different environments, and looking at all of the different genotypes of the disease, of which there are some 26, each behaving slightly differently. There is a very extensive piece of scientific work going on at Weybridge on that. We deal with all of the devolved Administrations that are affected by this. Northern Ireland are trialling a slightly different approach again, where they test and then either vaccinate or remove the badgers. Everybody is trying slightly different things and we are all keen to learn from one another.

Elizabeth Truss: I would make the point that our Chief Veterinary Officer is in touch with chief veterinary officers across the globe, whether it is the Chinese, talking about issues to do with avian influenza, or whether it is other countries in Europe, talking about those issues. We mentioned globalisation earlier with respect to tree health, but it is incredibly important; these issues are not limited to one country and we can learn a lot from what is going on elsewhere.

Q151 Jim Fitzpatrick: We have a briefing with the BVA next week. They have expressed some concerns about the way that the cull was carried out and they have moved towards trapping and shooting rather than shooting. That must be a consideration as well.

Elizabeth Truss: They have made very clear, though, that they continue to support the cull policy. As I say, we take the advice of the Chief Veterinary Officer. We have not had his report from this year, but he said the way the culls were conducted last year was safe, humane and effective.

Q152 Chair: Finally, Minister Eustice, on what is happening in Weybridge and that research, when are we likely to be hearing more about that?

George Eustice: Probably when it is concluded. It is a very detailed piece of work, as you can imagine.

Chair: That was a very good answer, Minister.

George Eustice: It is an ongoing piece of work. Earlier this year, we started to publish breakdowns. We are doing another piece of work at the moment, too, which will be emerging shortly, around improving biosecurity on farms. There is a lot. We have to use every tool in the box. One of the things we are keen to do is to encourage farmers, where they can, to modify their buying patterns on cattle and to put in place protection barriers to try to protect their own herds. It is the case that if you look even in the high-risk area, a very high proportion—over half of herds—have still managed to avoid a breakdown at all. Trying to understand what it is they are doing differently or what is different about their area is a key part of fighting this disease.

Q153 Chair: What might be different about their wildlife population as well.

George Eustice: That is undoubtedly a part of it, yes.

Q154 Jim Fitzpatrick: There was an SI that the Government were proposing to put down as an amendment to the Hunting Act back in July, but it disappeared. Is that queuing as part of the Defra bid for business with the usual channels, are we waiting for No. 10 to give the green light to see it reappear, or is it on the back burner? Is there any information on it?

Elizabeth Truss: This SI you are talking about is technical amendments on the Hunting Act. The intention is to bring the legislation in England and Wales in line with the legislation in Scotland when parliamentary time is available. That is the answer to your question.

Q155 Jim Fitzpatrick: That is not in sight at the moment. Are you able to tell us that the statutory instrument will be at the end of the year?

Elizabeth Truss: I do not have a date at the moment. The answer is when parliamentary time is available.

Q156 Jim Fitzpatrick: Will it be in this parliamentary session—in this year?

Elizabeth Truss: It will be when parliamentary time is available. I cannot give you any more specifics than that, Jim.

Q157 Chris Davies: Secretary of State, what is your response to the National Audit Office's conclusion last week that the regulatory pricing regime managed by Ofwat is not yet achieving the value for money for consumers that it should?

Elizabeth Truss: What I would say overall on water regulation is that Ofwat has done a good job in terms of delivering for consumers. If you look at the latest consumer price settlement, it is going to mean a 5% reduction in consumers' bills, which is good news. The regulator has to set the balance for companies operating. One of the things we are looking at in the longer term is how we incorporate water companies more into our plans for the environment to improve water quality. Fundamentally, Ofwat is an independent regulator. They have delivered a settlement that has both seen environmental improvements and seen customer bills reduce. That is a good result. I do not know whether you, Rory, want to say a bit more about that.

Rory Stewart: You are absolutely right. Ofwat was in a difficult position, in that they were trying to predict interest rates in 2008-09, in the middle of the financial crisis. They had to make a tough judgement call about who was going to take the risk of that and who was going to reap the reward. They could have pushed the risk onto customers or they could have pushed the risk onto the companies. Essentially, the decision they made was to put a little bit more of the risk onto the companies and a bit more of the reward onto the companies. We have ended up in a situation in which it is absolutely true that, as the NAO found, the companies benefited from that, but I should point out that those same low interest rates that have benefited the companies have been transformative for customers. One of the reasons we are going to be able to deliver the Thames Tideway Tunnel, for example, at a much cheaper rate to water rate payers than we ever anticipated is because of those same interest rates. The fact that Severn Trent Water, for example, can borrow €3 billion at the moment at almost zero interest rates again will be of huge benefit to the customers. You are going to have to—this is something I would push to the NAO—weigh up that particular interest-rate gain for the companies against the immense gains from the same interest rates for the customers.

Q158 Chris Davies: Mr Stewart, how should Ofwat ensure that unexpected financial gains by water companies are channelled back to consumers? Or should they be allowed to keep them?

Rory Stewart: The central thing in this whole thing is that Ofwat is independent and the entire confidence in the water industry depends on Ofwat being independent. They have incredibly complex modelling and computer systems. They themselves are scrutinised and regulated, but our job as Ministers was to establish the legislation to set them up as independent. It would be extremely inappropriate for me to comment on what Ofwat should do.

Q159 Chair: Just being slightly controversial, a little bit more competition between the water companies may be useful.

Rory Stewart: That is certainly something we have been looking at in the Water Act. You know that there will be competition—retail and for businesses—introduced. We also hope that some of our new moves on abstraction reform will allow an element of a more competitive process. The natural capital accounting that the Secretary of State has talked about is exactly about trying to use some basic market mechanisms in order to get a better deal for customers and better outcomes for the environment.

Chair: The domestic consumer has a choice on energy. Ultimately, there might one day be a time when we should have a choice on water.

Rory Stewart: I hear what you say, Mr Chairman.

Elizabeth Truss: That is a very interesting thought.

Chair: Do not worry. Funnily enough, it was myself and Thomas Docherty in the last inquiry who were much more pro-competition than anybody else, but I just thought I would throw that one in for good measure.

Q160 Ms Margaret Ritchie: The Permanent Secretary told us last week that Defra might need to reassess the emission models it has used in its air quality consultation in relation to the newest Euro 6 cars. In that respect, how confident are you that Defra's proposals will achieve the reductions in emissions of nitrogen oxides necessary to meet those EU targets?

Elizabeth Truss: The consultation is open at the moment and we are working very closely with the relevant local authorities to make sure that they are in compliance by 2020 and, in the case of London, by 2025 with the air quality standards. Our models are based on the best available information about air quality. We have a very extensive modelling system around the country. Clearly, there was some very wrong activity by Volkswagen in terms of defeat devices, but what we have known and what we have been clear about is that there has been a difference between the real-world performance of vehicles and the performance in the laboratories of those vehicles. That difference is baked into our plans. We know for Euro 5 and former standards that the difference between the real-world performance and the laboratory performance is baked in. It is also baked in for the testing we have done of new engines so far.

There are two things happening at the moment, one of which is that the Department for Transport is conducting more testing on vehicles. That will take a period of months to take place. Also, at European Union level, there are discussions on the regulations around real-world testing. Regarding the discussions around the regulation of real-world testing, we want to see real-world testing brought in so that when consumers buy a car they get proper information about the quality of the air that the car is emitting. Once those negotiations are concluded, we will know more, but what I would suspect is that those are going to bring in more stringent standards. Fundamentally, our plans are robust. They are based on the available information we have at the moment, but the difference between the real world and the laboratory testing is baked into those plans.

Q161 Ms Margaret Ritchie: In that respect, you were talking about Vauxhall. Have you, as Secretary of State, in conjunction with the Secretary of State for Transport—separately or together—met with Vauxhall to discuss these recent matters?

Chair: It is Volkswagen. I expect the others are just as guilty, but we cannot necessarily hang them too.

Elizabeth Truss: The answer is that the vehicle-testing regime is a responsibility of the Department for Transport and the Secretary of State for Transport has met with them. I know he and the Secretary of State for Business, Innovation and Skills are in discussions with Volkswagen to make sure that customers in Britain are treated fairly by that car company.

Q162 Ms Margaret Ritchie: Will the information they have received as a result of those discussions with Volkswagen feed into the consultation?

Elizabeth Truss: The consultation is about how we get into compliance in the key cities.

Ms Margaret Ritchie: In terms of air quality.

Elizabeth Truss: In terms of air quality. If you look at the proportion of the car fleet that is Volkswagen, it is quite a small proportion of the overall car fleet. It does not have a great deal of impact on the overall numbers. We are looking at things like electrifying buses; ways to improve the flow of traffic through those cities; commercial vehicles; and taxis. It is a serious issue in terms of consumer confidence and what that company has done, which is very wrong, but in terms of our air quality consultation, the real issue for us is the difference between the laboratory testing and the real-world testing.

Chair: Further to Margaret's point, under the last Government and this Government people have paid less tax because their vehicles are emitting less emissions. Surely, all of that has gone up in smoke, literally, because some of these vehicles will have been emitting higher emissions and yet the tax people have been paying is lower. It is not the individuals' fault, but surely somebody is culpable for all of this—i.e. Volkswagen.

Q163 Rebecca Pow: I was on the Environmental Audit Committee on this last week, and it transpires that the all of the car manufacturers agree the test these cars have been undergoing—actually, Defra is in charge of our air pollution; you oversee that—is woefully out of date. It has been out of date for years. Why did nobody ever check that? We have

based all of our plans and air quality controls and targets on those assessments, and it transpires, we were led to believe, they have been terribly out of date. Are they being realigned, Minister? Are you looking at that? We have failed to meet our EU requirements for nitrogen dioxide as well.

Elizabeth Truss: I am responsible for air quality and monitoring air quality. The Department for Transport is responsible for vehicle testing. Those are two different things. The problem fundamentally stems from a European Union level, where you have had an air quality regime that has set targets and then a separate regime of car testing that has not been robust enough. What we want to see is a more robust regime around the testing at the European level so that we bring it into line with what we are doing on air quality. Ultimately, our objective is to move towards electrification of vehicles, which deals with the problems of both carbon dioxide, which is where you come in on the way things like VED have been set, and nitrous oxides and particulate matter. Rory, do you want to come in?

Rory Stewart: Yes, just very quickly, because it relates to the two points. There are two separate points. One of them is that our aim is to try to ensure that in certain city centres we get below 40 micrograms per cubic metre, which is a concentration issue.

Q164 Chair: On that point, Minister, are we going to have more clean air zones? Is that the idea?

Rory Stewart: We are out on consultation at the moment. A plan is going to be produced by the end of the year, and that will be a plan to get us into compliance by 2025 in London and by 2020 in these key cities. That is getting below 40 micrograms per cubic metre. In order to do that, we are open. This is a locally led thing. You can do this in a range of ways. You can do it by changing congestion; in certain cities, building a new bridge would have an enormous impact on air quality. Within our plan, we have laid out our own rough ideas on how this might be done. Essentially, we believe that it could be done outside London without restrictions on private cars. Largely, in our models, these things involve buses and taxis. We are open to these cities coming back to us and saying, “There are smarter ways of doing this”, because it is highly localised.

I just want to come back to this question of the difference between the overall concentration and the source of the emissions. As the Secretary of State has said, Volkswagen cars and other cars are one source of emissions, but in London so is non-road mobile machinery used in construction—nearly 17% of the emissions of nitrogen dioxide. Boilers are about the same amount. There are also buses, taxis, and heavy and light goods vehicles. To reassure Ms Pow a little bit, we do very much focus on the real-world performance. If you look at the Euro 4 and Euro 5 diesel engines that are out there on the road and that we have been mentioning, we know exactly what the discrepancy is between the lab performance and the real-world performance. We are also testing Euro 6 engines. The only question around the Euro 6 engines is the fleet composition: how quickly you turn over, how many of these things come in and which particular models come in. A Euro 6 engine in a Volkswagen may perform differently to a Euro 6 engine in a BMW. But we absolutely take that case. This is not simply dependent on lab testing. Our models are based on the best available data for the real world, not the laboratory.

Chair: And you have testing equipment that can do this. That is the point.

Elizabeth Truss: Yes. We have air quality monitoring stations right around the country.

Chair: That are fit for purpose.

Elizabeth Truss: Yes.

Q165 Jim Fitzpatrick: As you have said, Secretary of State, air quality is a bigger issue in towns and cities than it is in the countryside. The one transport mode that the Minister did not mention was shipping. In terms of shipping, there are regulations that require vessels to use different fuel when they are in urban areas to that which they use when they are on the high sea. London is threatening to create fines against the UK because of the quality of air within London. If I can cite one little local example, there was a planning application for a cruise terminal on the Thames at Enderby Wharf, where one little device could have helped in terms of emissions, which was shore-to-ship energy as opposed to the vessel having to power its engines all the time that it is berthed there using its diesel fuel and pumping emissions into the air. The planning requirement under EU or UK regulations did not need that. For a multi-million-pound planning application, this was peanuts. The Department for Transport is the transport body; DCLG is the lead body—they have refused to call in the planning application; obviously, they must have checked—but you are the lead Department on air quality. Was there a discussion between DfT, DCLG and yourselves? Was it a disappointment that that little additional protection for air quality in London, which is above the regulatory requirement but might have made a wee bit of a difference, was not followed?

Rory Stewart: This is a really important point. A lot comes out of these ships. To return to the point I was making to the Chairman, our objective is to set the scene and to say it is up to the city how it meets that 40 micrograms per cubic metre target. In Southampton, for example, they have raised exactly this point. I was in discussion with the leader of Southampton Council. That is one of the measures they want to take to get into compliance, which is exactly to plug those big cruise vessels in so they are not pumping it out. We are not in the business of micromanaging the way cities hit the target; we are in the business of setting that target and providing assistance to them to understand what options they have available.

Q166 Chair: The point that Jim is making is this. Would Southampton have the ability to do anything about what the ships are pumping out or not?

Rory Stewart: Yes. Southampton is looking, with its local planning authority and its LEP, at exactly this: plugging in ships.

Chair: Without a change in the present law.

Rory Stewart: You do not have to change the present law to plug in the ships at a port.

Q167 Rebecca Pow: Mr Chairman, I know we are labouring this, but on that point, because you work so much cross-Department, I believe that the rate on new houses has just lowered, so we have got rid of the idea of having zero-carbon-rated new houses. That does affect energy efficiency, which affects the carbon dioxide we put out into the air, which does affect the air pollution. It is very serious. It is to do with encouraging housebuilding, but I am not

sure the housebuilders were all geared up for it. I am wondering whether this is something Defra ought to be influencing because of the air-quality knock-on effect.

Elizabeth Truss: This is back to our natural capital model and how you take all of those local factors into account and how you look at carbon at the same time as you are looking at nitrous oxide, water quality and biodiversity. There is an opportunity, as we build this model, as we build the 25-year Open Environment framework, to encapsulate that better so that people have really good information at a local level—so, when the planners are looking at Enderby Wharf, they know what the natural capital contribution would be of doing that in a different way. I have to say we are not there yet. As Rory points out, local authorities, who are close to the ground, need to have that information available to be able to make those decisions. Linking up all of these aspects of natural capital is helping people make much better decisions at a local level. We have made progress in that direction, but we are not totally there yet.

Chair: We will soon be doing an inquiry into it, so we will pass on the information to you.

Elizabeth Truss: I thought you were going to do one into natural capital.

Chair: No, air quality. We will come back to you with our findings. I am sure you will agree with every point.

Q168 Dr Paul Monaghan: There have been criticisms of the slow pace at which marine conservation zones have been designated. The Environmental Audit Committee said in its June 2014 report that Defra had progressed an “unambitious programme”. Only 27 marine conservation zones out of the recommended 127 have been designated so far. Is this really meeting the spirit of the legislation requiring Defra to “form a network” of marine protected areas that “contribute to the conservation or improvement of the UK marine environment”?

George Eustice: Yes, it does. The point is that they had these regional stakeholder groups that came up with the original list of 127. The truth is that when Cefas and the JNCC looked at these areas again afresh to check whether the features were there, in many cases the evidence of those features was very dated and the features were not there anymore. If you are going to designate these, you have to designate an area you are protecting. We did designate, last year, the first tranche of 27. We were clear in our manifesto that we would do three tranches. We have closed, in April, a consultation on tranche two, which is looking at 23 sites. Many of those are filling in the ecological gaps in that network. A lot of it is sub-tidal muds and other such habitats. The third tranche we will start work on next year. Regarding that second tranche, the consultation is closed. We are looking at the responses from that now and it is our intention to designate that second tranche in January.

I would make this point as well: the MCZs are just one part of a network of protection. Around a quarter of all of our inshore waters are protected in some way or another. We have SSSIs and we have the European designations—both the ones under the Birds Directive, the SPAs, and also the SACs under the Habitats Directive. Taken together, this will be a very comprehensive network of marine protection.

Q169 Dr Paul Monaghan: Coming back to that third tranche, how are you ensuring the evidence base will be there in time for a quick designation of that third tranche?

George Eustice: I would simply say this: we were always intending to do one a year. We designated one last year, we are designating another one this year and we are already commissioning the research work to do the investigation on the third tranche. What I have said about that third tranche is that what I am really keen to do is to look at some of the areas where we know there are features that are worth protecting but where there have been tensions with other users of the marine environment in terms of designating those to date, and see whether we can get much clearer evidence about the types of management measures that would be needed if you designated a third tranche. Some of the concern you get when you designate an MCZ is that people say, “We do not really know what this means for us” and they have concerns that it might mean more for them than it does. It does not necessarily mean precluding fishing or yacht races or whatever else is going on; sometimes it just means changing your behaviour slightly. On that third tranche, we are already commissioning the research work to identify those, but, in addition, to try to identify the types of management issues that will go with them.

Q170 Dr Paul Monaghan: You are confident that the evidence base will be there.

George Eustice: Yes. We are commissioning the evidence base. We have spent around £10 million or £12 million on research through Cefas, the JNCC and Natural England to make sure that, where we designate these, we are designating them for the right reasons. The trouble with that stakeholder group was that some of the evidence they were using dated back to the 1980s, and it really was not a strong enough basis on which to designate.

Q171 Dr Paul Monaghan: Do you think Defra’s spending review settlement will secure sufficient funding for all of that work?

George Eustice: It is a manifesto commitment for us to do all three tranches of these marine conservation zones. As I said, we have already committed the funds to start that research work and it is being carried out by Natural England, the JNCC and Cefas. That work is committed. Last year we made available new burdens funding for the IFCAs as well—that is the inshore fisheries and conservation agencies—who do a lot of the work in terms of the management measures on these marine conservation zones. Yes, I am confident that we have the funding there to do these three tranches.

Q172 Simon Hart: I do not think anybody would doubt that there is plenty of legislation and protection in place. There is some doubt in some areas—admittedly in Wales, outside your jurisdiction—that it is not a case of sufficient legislation and protection; it is a lack of sufficient policing that is the problem. There are rafts of paperwork, but nobody out there to see that it is implemented and that it is observed. Is that an unfair observation about what comes under your jurisdiction, rather than Wales?

George Eustice: It is, really. We have the IFCAs, most of which will have enforcement teams and vessels that monitor activity in the inshore area and always have done. They have always enforced their own byelaws. We have the fishery protection squadron, which operates in conjunction with the MMO to enforce fisheries regulations.

The other point I would make is there is a lot we can do by way of new technology. Vessel monitoring systems are coming on in leaps and bounds. It means that, with something like an MCZ, you are able to designate the precise feature you are trying to protect and ensure that vessels do not fish over that feature but can fish everywhere around it. This is particularly important with some of the scallop dredgers, so they can still carry on their activities within an MCZ, provided they avoid certain features that you are trying to protect.

Chair: I am mindful of the time. We want to finish by—

Elizabeth Truss: Mr Chairman, all three of us have meetings to go to. Mine is about promoting British food exports.

Chair: Okay. Could I then say you might well want to give this in writing, but I would be very interested in hearing where we are on Flood Re, the insurance, and how robust it is? Is it right for those in lower-income households in non-flood areas to pay for those in high-risk areas? Is there going to be insurance available for everybody in high-risk areas at a level they can afford? That was the whole idea of Flood Re. I know there are arguments within the insurance industry still. Perhaps we could have that in writing.

Very quickly, David wants to say something on red meat exports, and we will have the response in writing, please.

Q173 David Simpson: What more can the Department do to speed up the process of export licensing, especially in the red meat sector? The processors tell me they can sell it but they cannot get the licensing because the process is so slow.

Q174 Ms Margaret Ritchie: As a supplementary to that, particularly since you are going to China, Secretary of State—and Minister Eustice is totally aware of this—the whole area of lamb and beef exports is critical to our industry and our economy in Northern Ireland.

Elizabeth Truss: I am going to the Government's exports taskforce, which I have only just joined, to push these points.

George Eustice: I had a meeting with AHDB at Anuga last Monday and this was raised by some of the processors. We are looking at it. For a lot of it, the answer is technology. If we can get the export certification done more quickly online, they will not get these delays. I know some of them did express frustration.

Chair: As long as we have somebody there to press the right button, Minister, it all works. Thank you very much for all the time you have spent here answering our questions. Thank you also to Lord Gardiner. It is most appreciated.