

Business, Energy and Industrial Strategy Committee

Oral evidence: Work of the Department, HC 604

Wednesday 21 February 2018

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Members present: Rachel Reeves (Chair); Vernon Coaker; Drew Hendry; Stephen Kerr; Mr Ian Liddell-Grainger; Rachel Maclean; Mark Pawsey.

Questions 85-245

Witnesses

I: Alex Chisholm, Permanent Secretary, Department for Business, Energy and Industrial Strategy.

Examination of witness

Witness: Alex Chisholm.

Chair: Thank you very much, Mr Chisholm, for coming to give evidence to our Select Committee today on the work of the Department. We have a number of questions for you across the whole sphere of that work. We will start with Stephen Kerr.

Stephen Kerr: Good morning.

Alex Chisholm: Good morning.

Q85 **Stephen Kerr:** A very straightforward question to start with: how seriously do you and the Department take Parliament?

Alex Chisholm: Very, very seriously indeed.

Q86 **Stephen Kerr:** That being the case, why did the Department announce the introduction of the price cap Bill before we had completed our scrutiny, on which we were told the introduction depended?

Alex Chisholm: First of all, may I say how grateful we are as a Department for the work done by this Committee in pre-legislative scrutiny? I particularly appreciate that it has been done with great speed. I think we are as committed as you are to making sure that this price cap can be put in place sooner rather than later, and ideally before the winter, which is obviously critical for energy consumers, so your scrutiny has been incredibly useful. I also think that we are in strong agreement on the overall shape and purpose of the price cap. If the precise timing of the announcement that we have made came before we had formally written back to you with our response and before you had concluded, I apologise for that mistiming, but certainly the intention is to work very closely with the Committee. I emphasise again that we are very grateful for your report.

Q87 **Stephen Kerr:** In what way does that reflect the respect that you say you and the Department have for Parliament? You asked us to do a piece of work that was fairly intense, you understood a short timetable was required, but even before we had finished and presented our report to you, you had announced that it was going to happen anyway. It doesn't add up, does it?

Alex Chisholm: I accept that the timing could have been better, but again, I think that we are in agreement about the purposes of the cap, and we are very grateful for your work.

Q88 **Stephen Kerr:** Why did the Department brief the media but not the Committee on the launch of the Office for Product Safety and Standards?

Alex Chisholm: The product safety office is something, again, for which we are very grateful for the work done by this Committee. One of your essential recommendations was that we should have a stronger central,



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national body dealing with product safety, and that is a recommendation that we have accepted and acted on. As I think you have seen in correspondence from our Minister—I am sure the Chair will have shared it with members—again there is a very high level of crossover in our thinking about the purposes of this new body and the need for it. I think you have raised a number of questions more recently that we have not yet responded to, but we will continue to do so. Again, it is an area where this Committee has, I know, been very diligent in working through the issues and has rightly been very concerned about making sure that there is proper protection for consumers in product safety.

Q89 Stephen Kerr: Why did the Department brief the media but not the Committee?

Alex Chisholm: Again, the precise timings and the way in which Ministers of the Department choose to communicate to the media, the Committees and other stakeholders is not something that I can really comment on.

Q90 Stephen Kerr: You did the same in response to the Taylor review and our report—talking to the media before giving us a response. There is a trend here of the Department talking to the media and announcing things in the media before referring back to the Committee that you have asked to do some work.

Alex Chisholm: That is the third area that I really wanted to highlight to you all, as one where again we are extremely grateful for the work that, in this case, was done jointly by the Business, Energy and Industrial Strategy Committee and the Work and Pensions Committee. Again, in our response that we have published, there is a table showing how all our actions correspond to your recommendations. We have been very careful to make sure that everybody—not just this Committee but the whole world—can see how we have responded carefully to the advice given to us by the Committee.

Q91 Stephen Kerr: We are still waiting for a response to the joint Select Committee report, but you have already been briefing and talking about the Department's intentions—

Alex Chisholm: We have done in public because, obviously, it is a matter of great public interest as well as interest to the Committee. We will respond formally to the Committee in the ordinary way. We have deferred doing so because I think that the Chair is meeting with the Secretary of State this afternoon, together with the Chair of the—

Chair: We would have been very happy to receive the report before meeting the Secretary of State, Mr Chisholm.

Alex Chisholm: I think that the Secretary of State felt that he would like to meet with you first, and thought that it might presumptuous perhaps to write in advance about it.

Q92 Chair: The meeting was offered by the Secretary of State after the report had been published, Mr Chisholm. I am always happy to meet the Secretary of State—and indeed you—but the meetings with you or with



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the Secretary of State are not a reason to delay, postpone or not to inform the Committee about reports that are coming out on things that we have done work on.

Alex Chisholm: I am sure that you will have the chance to discuss that further with the Secretary of State this afternoon. If he was here, he would say, as I am, that we see matters very closely aligned with your report on the Matthew Taylor recommendations and we are really grateful for your work on that.

Q93 **Stephen Kerr:** I will just point out that we did not have sight of any response from the Department until after the urgent question on the Floor of the House had begun. Once again, as members of the Select Committee, we were not in the loop—I think that is the politest way of saying it.

Why did the Department publish a consultation on data sharing under the Digital Economy Act a day before we published our report on the energy price cap? It was pertinent to the Bill that we were scrutinising on behalf of the Department. Again, that doesn't seem very joined up.

Alex Chisholm: I don't think that that timing was planned. It was really coincidental. As I understand it, the consultation that we published on data sharing under the Digital Economy Act is in order to be able to facilitate better protection of vulnerable consumers. As it stands, the price cap that was first introduced following the DCMA energy report was only for customers on pre-paid meters, who had the benefit of being vaguely identified as such. Ofgem, with encouragement from my Department, was keen to try to extend that to a wider group of vulnerable customers. Some of those could be identified from things such as the warm home discount, but it felt that it would be able to access a larger group if it had better information, and that required the release of that data.

Stephen Kerr: That is an issue that we have raised and discussed.

Alex Chisholm: It is do with the sharing of data that the DWP has, but to make that available to the energy companies. The intentions behind that were extremely good, but because we saw the protection of vulnerable consumers as being a really vital issue, we were going as fast as we could. I think it is coincidence that it happened to come out the day before.

Q94 **Stephen Kerr:** Why didn't you tell us? Why didn't you let us know that you were going to do that? You were aware that that issue was very pertinent to the focus of the Committee in terms of delivering something that helps vulnerable customers, and that the problem was identifying them. You knew that you were going to release this consultation, but you did not let us know. We could not factor it into our thinking or discussions.

Alex Chisholm: The intention to use the Digital Economy Act in this way was discussed a number of times last year, particularly by Ofgem because it is leading the charge on that. It was very much in the public record and known to people, but I accept that if we had known that it was just the



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day before you were about to publish, we could have made you aware of that.

Q95 **Chair:** But you did know. You knew we were publishing the report the following day.

Alex Chisholm: I think the timing of the release of that consultation was, as I say, a complete coincidence. Lots of work is happening across the Department.

Q96 **Stephen Kerr:** I think that is the issue, though, isn't it? It shouldn't have been a coincidence when you knew it was a focus of the work the Committee.

I have one last question. In what way is this consultation—the one we are discussing—not repeating the Cabinet Office consultation on data sharing? In what way is this not a re-run of what has already happened?

Alex Chisholm: I think it addresses a slightly different issue. As that is quite a technical question, I might have to write back to you if you want further clarification on that. I would be delighted to do so.

Stephen Kerr: That would be very useful.

Q97 **Chair:** Can I just follow up on a couple of issues that Stephen Kerr has raised? On the product safety report and the announcement that you made, on a Friday afternoon I received an email from somebody who came to give evidence to the Committee on the work that we did on product safety telling me their response to the report you were putting out the next day. I didn't even know that you were putting out the report the next day, but I was told by somebody who had come to give evidence to the Committee. They didn't think that they were telling me anything that I didn't already know, but I didn't know, because your Department hadn't had the courtesy to let us know. Given that you say that you appreciate the work that our Committee has done on this—

Alex Chisholm: Very much.

Chair: Do you think it is right that I heard from a third party that you were publishing a report?

Alex Chisholm: The message I am taking from all of this is that you are obviously very keen to not only deliver the reports and work closely with the Department, but that you would appreciate a bit more precision in the timing of our communications to you, so that when we publish reports and things, you are informed at the time they are published.

Q98 **Chair:** Or be given detail that things are being published, especially when they seem to be in response to things our Committee is doing. It seems to me that we delivered to your Department a report that recommended setting up a national product safety agency, and what should happen is that you then respond to that report and hopefully put in place some of the recommendations we make. You have the report from us in front of you, and lo and behold a few weeks you later you make an announcement.



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I am not totally sure yet—we still have not had a response to our report or answers from the Minister—whether you are doing what our Committee recommends. We should have a reply to our report with that detail when you are making those sort of announcements.

It seems to us that you see our reports and you then act like you are implementing them, but without actually responding to the detail of our reports. That is what is frustrating, because it seems a little bit like lip service: you say you appreciate the work of the Committee while pre-empting us, or not giving us the full details.

Alex Chisholm: Just to clarify, we absolutely don't intend to pre-empt the Committee. We have been very grateful for your reports. I also think that, as I was trying to emphasise in relation to the Matthew Taylor response, far from acting independently over the report, we were at pains to set out in our formal response to Matthew Taylor how we will respond to every one of your recommendations, line by line.

Q99 **Chair:** We look forward to receiving those. On the price cap, you said in your answer to Stephen Kerr that you would ideally like to see the price cap in place before the winter. That is not as strong as the Ministers who have given evidence to the Committee have been. Minister Claire Perry said that it would be in place by next winter. Will the energy price cap be in place by next winter?

Alex Chisholm: Because of my great respect for Parliament, I did not want to anticipate the amount of time Parliament will want to spend with the legislation. That is really more in the hand of Parliament than the hands of me. Certainly, our wish as a Department is that it should be in place by winter.

The other factor is that, once the Bill has been completed by Parliament—if it is—Ofgem said in a statement in October 2017 that it plans to take it forward quickly after Royal Assent is given. Its estimate at that time was that it could take maybe five months after Royal Assent, possibly more or less. That is why it will be quite tight to have it in place by the end of the year, but chiefly, we are in the hands, first, of Parliament and then of Ofgem.

Q100 **Chair:** You said that you would follow up with the Select Committee on Stephen Kerr's question about the previous Cabinet Office consultation on data sharing. I just want to ensure that you are clear what we are asking about. From 21 September to 2 November 2017, the Government consulted on draft codes of practice for use under the Digital Economy Act about this issue of data sharing. Yet on 12 February, one day before the Committee's report on pre-legislative scrutiny, the Department announced another consultation on a similar issue, without responding to the consultation that you had conducted just a few months ago. It is not clear to the Committee that you need a new consultation. What you need to do is respond to the previous consultation and then give those powers to share that information. We are not sure why another consultation is needed and that is what we would like further clarity on.

Alex Chisholm: That is what we will write to you on.

Chair: Thank you.

Q101 **Vernon Coaker:** After the reshuffle in January, there is now only one Minister to cover the whole of the former remit of the Department for Energy and Climate Change, compared with two Ministers for business. What does that say about the priority and resources given to energy policy in your Department now?

Alex Chisholm: If I could perhaps clarify the position, obviously the Secretary of State takes a great interest in energy matters, as he does in industrial strategy and business. Secondly, we have the Minister of State, Claire Perry, who is the Minister for Energy and Clean Growth. She is almost exclusively involved in energy matters. Thirdly, we have Richard Harrington, MP, who is the Minister for Business and Industry and he too is involved in energy matters, particularly in relation to nuclear. Three of our Ministers are involved in energy.

Q102 **Vernon Coaker:** What is the split in resources then? What is the priority in the Department between business, energy and climate? What is the priority given to that within the Department in terms of the resources, the staff available and the actual concrete representation of that, rather than what it says on a bit of paper? How do we know that is the case?

Alex Chisholm: We have five policy oriented groups—director general-led groups—of which two are energy-related. That also corresponds roughly. We do not actually count energy people versus other people, because lots of things that people are involved in, for example in relation to EU exit, cross over departmental lines. Also we are a fully integrated Department. We have made lots of changes to our structures. We do not distinguish between people who use to be in DECC and people who used to be in BIS. But to give you some idea of order of magnitude, at the time of the merger, the Department for Energy and Climate Change employed 1,400 people, and the part of BIS that was not MOG'ed away—MOG is machinery of Government—to form the Department for International Trade and another section going into the Department for Education, was about 2,100 people. That probably gives you an idea of the rough proportions. I do not think those would have changed all that much. Although we have been recruiting more people in relation to EU exit work. Probably quite a lot of that relates to the generality of EU exit work, rather than the specifics of energy, so we have probably gone a little bit away from those previous proportions.

Q103 **Vernon Coaker:** So if I was sat in a public meeting in Gedling in my constituency, and had to explain to people about the split, do I say that it is an even split or more priority to business and less to energy? I am not trying to be rude. I am just trying to strip away all of that. So what is the headline of that—an even split or 60/40?

Alex Chisholm: I was trying to give you as precise and helpful an answer as possible. The way I would better characterise it is that previously we had a separate Department devoted to energy and climate change and



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that, in its way, had some strengths, because we had a point of focus there, but the great advantage of combining it with business and industrial strategy is that the energy work we do is now very much mainstreamed with all of the work we do for the whole economy. I think that is particularly important at this point in time, because, as you have seen from the clean growth strategy we published at the end of last year, a lot of what we are trying to do to reduce carbon emissions does not rely on the power sector only. It relies on the whole economy, including transport, waste, agriculture and housing. All of that—that much wider economic focus—is very important. The other big benefit to making sure that we have an integrated approach to our energy policy and to business is that energy is obviously a very important input cost for lots of industrial activity. We have had a real focus on making sure that the cost of energy is no higher than it needs to be, and particularly that large industrial users can be competitive compared with European alternatives.

Q104 Vernon Coaker: Part of the problem is that everyone is responsible, but if you are not careful, no one is—you subsume everything on the basis of integration. I know it is early days yet, but how will you measure the outcomes of that merging—that general approach where everyone has responsibility for business and energy put together?

Alex Chisholm: Although at the very top level, such as the Secretary of State and myself, we have responsibility across the Department, it is actually quite well set out beneath that. You have individual director general-led groups, typically of about 500 people. Within them, you have a number of directorates—we have about 40—and each directorate typically has three or four deputy directors. So you get this cascade effect, where individual units are responsible for individual pieces of legislation or individual programmes. That is how we make sure that there is proper accountability.

Q105 Vernon Coaker: If you look at the clean growth strategy and the industrial strategy, which is the priority? Or are they both the same?

Alex Chisholm: I would say those are two of our top three priorities. I would also add EU exit to that.

Vernon Coaker: That is the third?

Alex Chisholm: Yes. All equal.

Q106 Vernon Coaker: In terms of the clean growth strategy and the industrial strategy, what are the resources for each of them—how many people? Are they the same?

Alex Chisholm: The nature of those two is that they are very cross-cutting. In both cases, there is a team that is focused on producing those documents—the published White Paper and the clean growth strategy—and on co-ordinating that activity across the Department and across Government. To take an example of what that co-ordination involves, for the industrial strategy we have an industrial strategy programme board, in which all the different Departments are involved. I chair that at the



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moment and have done for the last year and a half. There is also the Economy and Industrial Strategy Cabinet Committee, which co-ordinates those inputs at the ministerial level to make sure that we keep up the momentum we need to. That is also true for clean growth. There is an inter-ministerial group involving the Department for Environment, Food and Rural Affairs and the Department for Transport.

Q107 **Vernon Coaker:** So it is very difficult to put a figure on it, such as £1 million on this and £1 million on that, or 340 people on this and 790 on that.

Alex Chisholm: That is probably correct if you were trying to take out a single figure, because you have so many people involved in it in different parts, and also because lots of people would be part-involved. I am very interested and involved in the industrial strategy and clean growth, but my costs as an individual are not apportioned to everything that I am involved with because it would not make sense to do that.

Q108 **Vernon Coaker:** The last question from me is, in terms of a policy objective, if there was a conflict between clean growth and growth, what is the Department's policy?

Alex Chisholm: We have found that that particular choice—

Vernon Coaker: It is not a conflict.

Alex Chisholm: It is no longer a conflict. As evidence of that, if it seems too good to be true, we recently published the UK's record since 1990 in reducing carbon emissions and in economic growth and compared that with others in the G7. Since 1990, the UK has reduced its carbon emissions more than any other country in the G7, and has also grown more per person than any other country in the G7. That is a remarkable record and shows quite clearly that the trade-off that you described, which would indeed be a difficult one to make, does not really exist.

Vernon Coaker: We may get on to some of those later on.

Q109 **Mr Liddell-Grainger:** In the last "Whitehall Monitor", your Department came out as the least transparent. Why?

Alex Chisholm: I was surprised by that, because we try to make a point of being extremely transparent and we produce a very large number of documents to assist with that. In the initial merger integration, the timing of some of our publications was off a bit. We have caught up since then. In fact, in another analysis recently produced for the Institute for Government, we were the second-rated Department after the Department for Transport for producing transparent, evidence-based analysis.

In terms of dealings with Parliament, as I emphasised to Mr Kerr, it is of great importance to us. Our record in turning round PQs was 94% on time within the last period and 97% in the period before that. That is the top of the table for any Whitehall Department, so we do give great importance to transparency.



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Q110 **Mr Liddell-Grainger:** Let's just discuss that because it is a good point. In fact, on PQs and so on, you come out on average on named day and ordinary questions at 78%.

Alex Chisholm: That's last year.

Q111 **Mr Liddell-Grainger:** It has gone up from 73% but it is still not good, if you look at the breakdown. What is the problem? Is it staffing? What is the reason from a management point of view?

Alex Chisholm: A couple of things. First, I agree that those figures were not satisfactory, which is why we had a real go at this and have brought up the levels to the high 90s, which is, as I say, best in class. That shows that clearly, with proper management attention, you can get to top-level performance.

Q112 **Chair:** Are you saying that next year you will be in the 90s?

Alex Chisholm: I think our target is actually about 80%.

Q113 **Mr Liddell-Grainger:** To say 80% increase is not brilliant—

Alex Chisholm: We are certainly in the 90s at the moment.

Q114 **Mr Liddell-Grainger:** You're in the 90s at the moment?

Alex Chisholm: Yes.

Q115 **Mr Liddell-Grainger:** I'm not sure that is right.

Alex Chisholm: In the last two periods; the last two-week periods.

Q116 **Mr Liddell-Grainger:** Are you absolutely sure? Can you check?

Alex Chisholm: Yes.

Mr Liddell-Grainger: Not now, but if you could let us know. I promise you we are not that pedantic.

Alex Chisholm: I am really confident that we are because we look at it every two weeks.

Q117 **Mr Liddell-Grainger:** The point about this, Mr Chisholm, is that we need reports turned round very quickly. We need to know what is going on. You have already heard from the Chairman and Stephen.

There is a gap here that does not quite make sense. From what you are saying, you are increasing your productivity in output but actually we are still waiting for reports. You did not reply to any of the reports of the last Committee—not this one; the one before, because we had a rather interesting election this year—on time. I am not blaming you personally but I would like to know. Are you a serial offender or is it just something not quite right?

Alex Chisholm: I want to emphasise again that we really want to be very timely in our response to this Committee and PQs and we put a lot of effort into that. You are emphasising that that is your expectation as well, and will continue to do so.



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When we have analysed the timeframes for responses, we have identified that sometimes they were obviously disrupted by election periods and by a number of changes in Ministers. We have had four Energy Ministers in the past three and a half years. That certainly makes a difference. You have changes to the private offices that go with that.

We have also found that we needed to tighten up our procedures. We tracked their movement through the Department, because lots of the preparation for replies requires consultations with a number of different people—sometimes lawyers and people like that. We have had to get really focused on that. The results we have been able to achieve recently are much better than the ones we had last year, so if we can keep that up, we will be best in class, as I said.

Q118 Mr Liddell-Grainger: I don't dispute that. You are not as bad as Justice. They seem to have a revolving door of Ministers, yet they seem to have quite a good response time. I do think there is something here. The other point is that we are waiting for reports from you at the moment on modern employment, product safety and the energy price cap. We just need to know when you are coming forward with these, Mr Chisholm, with no disrespect.

Alex Chisholm: On two of those, we will have responses to you very shortly, I envisage.

Q119 Mr Liddell-Grainger: Can you go a little bit deeper than "shortly"? That is a political cop-out. That is what we do, not what you do.

Alex Chisholm: The precise timing of those things is indeed in the hands of Ministers.

Q120 Mr Liddell-Grainger: The Minister, you mean—the one Minister.

Alex Chisholm: There are different Ministers for those matters. I will use this appearance and your encouragement today to encourage them to ensure that we produce the reports very shortly.

Q121 Mr Liddell-Grainger: Just one follow-up. From what you are saying, are you backing up the Minister with the requirement she needs to make reappearances before us? We are getting more statements now than we have ever had and UQs and so on. It is a strain on the Minister, isn't it? It is a strain on your team, obviously, because you have got to cope with it. Is there a manpower problem, or whatever they call it now? Is there a person power problem? I don't know what the new thing is.

Stephen Kerr: Resource.

Q122 Mr Liddell-Grainger: That's it; well done, Stephen. Is there a resource problem, or it is just that there is still a problem just getting the team put together from the changes?

Alex Chisholm: I don't feel that there is a problem at this point in time because we have been performing very strongly, but it does require a lot of attention and focus. You are right—thank you for your sympathy—that we have a terrific volume of business to deal with, and in terms of PQs and



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correspondence, that would run into the hundreds. Some of those are obviously deep matters that require a lot of work. You can produce responses quite quickly, and we have got better at making sure that the difficult cases do not upset the averages so much and really focus on them. I think the team has made great efforts—some of them are based in our offices here in London, and the rest are in Cardiff. They are really excellent. I have visited them and talked to them about their processes. I look at the way they stay on top of it, and they really take it very seriously. I don't think we have a problem but you are right that there is a mass of things that we try to do in our Department, and sometimes we don't hit the very high standards we would like to hit.

Q123 Chair: The deadline for getting the Euratom report back was last week. We were promised it yesterday, but we still do not have it. Perhaps you could go back and ask your Department where that might be sitting.

Alex Chisholm: Absolutely.

Q124 Stephen Kerr: Can we turn our attentions to the single departmental plan—the SDP? It was identified in the same “Whitehall Monitor” that was referred to earlier as having the most priorities of any Department, but the least specific priorities. When I read them, I have to say that I thought about my former life, and I am not sure I would have got away with some of this stuff in front of my board of directors. What are your measures of success?

Alex Chisholm: There are some success measures within this, but I accept that this particular departmental plan, which came out on 14 December—we are going to produce a new one, and the Cabinet Office is co-ordinating a process for that to be in place for next year. I would expect that to be a little more substantive and to include more measures, as you suggest. There are a lot of different measures for different things that we do. For example, we talked earlier about the industrial strategy and the clean growth strategy, and both of those have their own sets of measures in place. Again, we haven't really talked yet about the EU exit, but we are responsible for 68 different workstreams, all with different milestones and success measures, against multiple scenarios. There is a lot of individual work. For example, we are in the process of installing smart meters at a rate of just over 400,000 a month at the moment. All those things are subject to a great deal of measurement, but if you tried to compute all that into a single document, it would make that document pretty indigestible.

Q125 Stephen Kerr: Let me ask you to put a stake in the ground. Twelve months from now when we have the pleasure of meeting you again, I hope, what specific measures do you expect to have improved?

Alex Chisholm: To have improved? There are different types of measures. There are output measures and outcome measures. A lot of that—this is characteristic of a lot of Government activity—tends to be focused on output measures. Where possible, we try to describe outcomes when we see them as obtainable. For example, things like fuel poverty, the average prices that people pay for energy, and what percentage of

energy comes from renewable resources have specific outcomes. We publish a lot of measures and targets for those things.

Q126 Stephen Kerr: Which ones do you want to highlight?

Alex Chisholm: I wouldn't really try to pick out one because as a Department we are doing several hundred important things. I would try to highlight within that probably the three most important things, which are industrial strategy, clean growth and the EU exit. If you study each of the documents for those things—perhaps you want to discuss them—they contain their own specific targets.

Q127 Stephen Kerr: I am sure we will come on to that. What are your thoughts, the things that keep you awake at night? What are the three biggest risks?

Alex Chisholm: Well, appearances before the BEIS Select Committee.

Stephen Kerr: Excluding that one.

Alex Chisholm: I would probably pick out, first, the responsibility we have for the energy sector and, within that, the nuclear sector—particularly the legacy of nuclear. Obviously, it is vital that we continue to make sure that we have proper approaches to nuclear safety, security and decommissioning. That is probably the single most important thing. It is an excellent regime that is very well conducted and admired the world over, but it is obviously very important. That would be one thing.

Secondly, since nobody has left before, the overall process of EU exit is something for which there is no look-up guide. It is a very big enterprise, there are a lot of moving parts and it requires unparalleled co-ordination within Government and with stakeholders in the context of a dynamic negotiation. That is a very difficult and complex thing to do, so a great deal of attention is given to that.

Thirdly, our industrial strategy is extremely ambitious. It is looking to change the shape and performance of the economy over a 10-year period. If you have had a chance to look at the strategy or you are interested in these matters more generally, you will have seen that some of the issues that contribute to our relatively low productivity are very deeply ingrained. That is also true of the regional imbalances in the economy with some of the issues around social mobility and things like that. Those are issues where, as the head of my Department, I am incredibly committed to making sure that we achieve real progress so that it really is an economy that works for everyone. That cannot be achieved simply by producing papers; it requires real change and action on the ground, and keeping that up over a long period of time.

Q128 Mark Pawsey: Good morning, Mr Chisholm. I want to pick up on one or two things you have already alluded to in terms of the work of the Department in preparing for our exit from the EU. We know that this is a challenge across Government. The Public Accounts Committee has expressed concerns about our ability to recruit and retain the right staff, and your Department has the largest and most complex EU exit portfolio



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of all. I want to ask first about the number of staff you have allocated to that. I think you have already told us that around 350 staff are working on EU exit.

Alex Chisholm: It is a little bit more. The number that you mentioned—350—is the number of additional people we bid for from the Treasury to join us over the course of this year. We also reallocated 100 staff from other activities to work exclusively on EU exit. That takes it to 450, and we already had a substantial directorate dealing with European business—the usual stuff. If you computed the total number of people involved in EU exit-related work, it would be closer to 600.

Q129 **Mark Pawsey:** I was going to ask you what that represented as a proportion of the total. In your answer to Mr Coaker, you told us that when the two Departments came together there were 1,400 DECC people and 2,100 BIS people, which became 3,500. I estimated that one in 10 of your staff is involved in work to deal with leaving the EU, but it now looks like it is one in eight.

Alex Chisholm: It is about 600 people of a departmental total of about 3,300.

Q130 **Mark Pawsey:** So it is 20%. Interestingly, those who thought it was a good idea to leave the EU told us that there would be additional resources available for public services, and it seems that a chunk of those resources is going into the additional work that is necessary in Departments such as yours. Is that a fair statement?

Alex Chisholm: There are some timing issues there, aren't there? There is obviously a relatively short-term hit to Whitehall Departments such as ours as we actively deal with the process of working out how to negotiate, conducting the negotiation and achieving the transition, but quite a lot of those resources, if not all of them, should be freed up over time when that process is complete.

Q131 **Mark Pawsey:** You pre-empted my question. Once we have left and we have a deal in place, will you no longer need those people?

Alex Chisholm: Once we have left and we have a deal in place, we will need a far smaller number of people. We will still be doing a great deal of work with the EU, because every Minister in the Government has always emphasised that we intend to have a deep and full partnership with the EU. They will be our most important trading partner, our most important security partner, an incredibly important ally in foreign affairs, and so on.

Q132 **Mark Pawsey:** On the new people who are coming into the Department, have you been able to recruit people of sufficient calibre? We know this is an incredibly complicated and difficult thing to do, and we need to have very capable people doing it. Are you satisfied that you have been able to get people of the right ability?

Alex Chisholm: We have been more than satisfied—we have been delighted by the quality of people we have been able to get to join us. That reflects, obviously, the quality of the workforce here but also the



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genuine interest that a very large group of people feel in working in Government at this time on these important activities. So no, we have not had any difficulty in recruiting, and in fact of the 350 staff we planned to get by the end of March, by the end of January we had recruited 341. So we are probably a little bit ahead of ourselves, which is good.

The quality has been excellent. We have been able to get very good people, some with policy skills, some with knowledge of EU institutions and people with project management skills and technical skills. Around two thirds, if you are interested, have come from elsewhere in the civil service, and about one third are from outside the civil service, mainly from the private sector—from business.

Q133 Mark Pawsey: I wonder if you can give us a flavour of some of the work they are doing. You spoke about 160 work streams, but since we do not know—

Alex Chisholm: Sixty-eight work streams.

Mark Pawsey: Sorry, I mis-heard. But we do not yet know the terms of our departure. So presumably there is a lot of “What if?” work going on, with you developing different scenarios. Can you give us a flavour of the kind of work that is involved?

Alex Chisholm: You are absolutely right. One of the challenges is that we are having to work against multiple scenarios. At this point in time, obviously there is the scenario that the Government is able to achieve the ambitions set out most recently in the Florence speech but also in other speeches and originally the White Paper published in the early part of last year.

But it is also necessary for us as a responsible Government to plan for all eventualities, so we have to do contingency planning on the basis that there could be no agreed deal as well. That clearly means that a lot of extra planning and work has to be done compared to having a single scenario, but that is the nature of the situation we are in at the moment and the ongoing negotiations. Clearly, the earlier we have clarity on what is an agreed single scenario, the easier that would be from a resource and focus perspective, but we need to recognise that that is not achievable at this point in time.

Q134 Mark Pawsey: In terms of you getting a commitment from Treasury for your resource, has that now been agreed? I think in front of the PAC you said it was a matter of weeks before you agreed the resources with Treasury. Has that been forthcoming?

Alex Chisholm: It has not yet been agreed, though we have been making good progress.

Q135 Mark Pawsey: Okay. In your supplementary estimate, you noted an extra £35.1 million for work costs resulting from Brexit. Is that the cost per year of our decision to leave? Is it likely to be higher than that figure?



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Alex Chisholm: That is the funding that was made available by the Treasury for the additional resource brought in this year. It mainly covers staffing, with a small amount of systems work, and it covers the 350 additional full-time people we have working with us, and 180 people working in the partner organisations for which we are also responsible.

Q136 **Mark Pawsey:** Right. Is the sum you need for next year likely to be greater or smaller than the supplementary estimate for this year?

Alex Chisholm: Greater.

Q137 **Mark Pawsey:** Would you like to put a figure on that? How much—

Alex Chisholm: Not yet, no.

Q138 **Mark Pawsey:** Significantly greater?

Alex Chisholm: We'll see.

Q139 **Chair:** What bid have you made to the Treasury for resources for next year?

Alex Chisholm: We haven't made a bid. We are in a process of trying to agree with the Treasury and DExEU, who have overall responsibility for co-ordinating across Government, what seems to be the necessary resources for that, and then there will be a process of negotiation between Departments, ministerial involvement and a decision finally by the Treasury on how much to give us. That process continues to unfold.

Q140 **Chair:** I have a couple of follow-up questions from Mark Pawsey's questions. You said that 100 people have been reallocated to do Brexit work in your Department. Where have they been reallocated from? What were they doing previously that they are not doing now?

Alex Chisholm: When we looked very closely at it, we thought we could treat all of the EU exit work as being purely additional, but we felt that it is so important and requires so much resource and is such a priority to do well that we should not do so; we should try to find out if there were any opportunities, if you like, for efficiencies, or if any simplifications of what people do could be used to try to free up resource. Actually, we identified that nearly all of the 100 people we have been able to reallocate were in effect vacancies held within the Department, within individual units. We said, "Right, rather than replacing those vacancies, you need to do your work without replacements. Those vacancies will now be reallocated for recruitment for EU exit."

Q141 **Chair:** Are the 350 people the Department has recruited on permanent contracts or short-term contracts?

Alex Chisholm: It's a mixture, but it's mostly permanent. We are able to do that because, as a Department, our current annualised turnover rate is about 13%. It was a bit higher than that in the year before, and we will have to see what the year ahead holds. Every year, if you think in terms of a Department of about 3,000 or 3,500 people, we would recruit about



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500 or so people anyway to make up for people who have left the Department. That gives us quite a bit of flexibility.

Also, as you are very aware, although it is one year to March '19, the Government have said that they strongly believe in the necessity of an implementation period, which has been warmly received and generally responded to on the European side of that negotiation. As soon as we know that we have an implementation period, as we hope to know sooner rather than later, that will give us an additional planning period for the utilisation of that resource.

When we hire people next year, or indeed if there is any the year after that, that will be at quite a late stage in the overall EU transition process, so the proportion of people we are able to give full-time contracts to, compared with short-term contracts, will change. Next year, we will rely much more on one-year or two-year contracts.

Q142 **Chair:** You said towards the end that there were 350 people in the main Department, but I think you suggested that there are 180 additional people in your agencies.

Alex Chisholm: Correct.

Q143 **Chair:** Overall, in BEIS and the five agencies, how many additional people have you recruited to do Brexit work?

Alex Chisholm: Three-hundred and fifty plus 180.

Q144 **Chair:** So, 530?

Alex Chisholm: That's what we've allowed for. As I say, we actually have 341 out of our 350.

Q145 **Chair:** And what have the agencies recruited?

Alex Chisholm: They are also on track. Sorry, I do not know the number at this stage in the year, but it will probably be 160 or 170 or so.

Q146 **Chair:** So it is 530 additional people?

Alex Chisholm: That's what we expect to get to by the end of the year.

Q147 **Chair:** And the £35 million cost includes those 180 as well?

Alex Chisholm: Correct.

Chair: Thank you.

Q148 **Rachel Maclean:** Mr Chisholm, we understand that your Department is responsible for 22% of the Government's total work streams relating to Brexit. Is that also your understanding?

Alex Chisholm: It's 68 of 313. The number of those work streams will continue to evolve, but that is the latest estimate, yes.

Q149 **Rachel Maclean:** Those 68 work streams are 22% of the Government's work streams relating to Brexit? Is that right?



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Alex Chisholm: Sixty-eight divided by 313 is 22%.

Q150 **Rachel Maclean:** Thank you; there was a bit of noise so I didn't quite hear. Obviously, you have also identified 21 as critical. Can you give us any more detail of what those are?

Alex Chisholm: The identification of what was critical and what was not was actually done in a process led by DExEU, although we have engaged very much with that. You had different examples of something that is absolutely critical, but let me give a couple. One such, as I mentioned before in answer to the question from Mr Kerr about what I attach special priority to, is the nuclear safeguards regime. We identified that as being absolutely essential in order for the continuing functioning of the nuclear fleet at the moment, which produces around about 20% of our energy.

It is also essential for the continuing construction of the Hinkley Point C nuclear reactors that we are able to have this nuclear safeguards regime in place, because that actually governs the movement of material and personnel, which is very relevant to all those operations I described. We give great priority to that, which is also reflected in the fact that we were quick to introduce the Nuclear Safeguards Bill into Parliament, which I know a number of you have engaged with.

Q151 **Rachel Maclean:** What else is critical for you?

Alex Chisholm: To perhaps give a second example of something we see as very important, the market surveillance authorities look at which products are available on the market, what protections are needed in place for them, any warnings against particular traders and things like that. That is done on an EU-wide basis at the moment. Because it is obviously important to the proper operation of the market, we will need to make sure that we have in place our own equivalent of that authority and the database that it holds.

I will give you a couple more examples, if you'd like.

Q152 **Rachel Maclean:** What sort of products are you talking about there?

Alex Chisholm: All products that are subject to—

Q153 **Rachel Maclean:** Any products, across anything that—

Alex Chisholm: Yes. So it's a mechanism. For example, with trading standards officers, if they find out that such and such is a rogue trader, or something like that, how do they share that information with other people on the market? Also, if something has had a proper level—a Conformité Européenne, or CE, mark and things like that—that is registered in a markets database.

Q154 **Rachel Maclean:** So that's another critical one.

Alex Chisholm: That is an important one. Also, we will pick up energy trading schemes and things that relate to interconnection with the continent for gas and electricity. Again, the Horizon 2020 programme and the beneficiaries thereof are all recorded at the moment in databases that



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are part of the European system. Clearly, if we have left that system and we no longer have access to the database, we need to have our own record of participation in schemes like that.

So there are quite a number of different things that need to be done and I have just given examples from across the wide spectrum of things we are responsible for.

Q155 **Rachel Maclean:** So, is it the case that the Government are not going to publish the details of what these critical-identified programmes are, because it is the view that it is part of the negotiation?

Alex Chisholm: You'll have seen the statements, which I have seen as well, from Ministers in the Department for Exiting the European Union on this matter, and there seems to be quite an active and continuing debate with Parliament and with your sister Committee on it. So I am not really in a position to comment further, because DExEU leads on this matter for the Government.

Q156 **Rachel Maclean:** You have talked a little bit about the databases that are required and you have said in previous Committees that they are mainly simple databases. Presumably, therefore, the ones that are not simple are complex and there is a risk attached. So how confident are you that they will be ready on exit day?

Alex Chisholm: That's a good question. I think that the more complex ones probably relate to things like the emissions trading scheme. It depends, probably primarily, on the timeframe that we have to develop them. So, there is no question in my mind that we can have an ETS in place for the UK only, but we also need to know whether we plan to continue to access the EU one, and that remains a subject open to negotiation—

Q157 **Rachel Maclean:** Yes, because with every workstream you have to plan for a no-deal outcome or a negotiated outcome. Is that correct?

Alex Chisholm: That's right, yes.

Q158 **Rachel Maclean:** So you need to know when there is this dynamic, as you said earlier.

Alex Chisholm: Yes.

Q159 **Rachel Maclean:** If we were not to have a negotiated outcome and you had to plan for a no-deal outcome, are you confident that you could do that for the complex databases?

Alex Chisholm: In some cases, we may need to achieve workarounds, or find ways to achieve comparable economic effects, but using different tools.

Q160 **Rachel Maclean:** What does that mean, exactly?

Alex Chisholm: In a kind of extreme scenario, if we got to—I don't know—February next year and found out at one month's notice that there



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was to be no deal, clearly we couldn't build a trading system in four weeks' time. So, what you could do in that situation is to try to create a synthetic equivalent to the impact of the trading system, in terms of its economic effects, such as using carbon taxes.

Q161 **Rachel Maclean:** But you are planning for a no-deal outcome as part of your workstream work?

Alex Chisholm: Yes.

Q162 **Rachel Maclean:** So why don't you build that database now, or why don't you put that work in place, in case there was a no-deal outcome for that instance?

Alex Chisholm: There is a process of agreeing what levels of expenditure to commit to work that may prove to be nugatory, and obviously there is a judgment to be made there. We have just begun to develop or spend significant amounts of money in relation to the nuclear safeguards regime, on the basis that we will have left Euratom, and obviously to make sure that the Office for Nuclear Regulation, which would be the new body responsible, has the resources, inspectors, databases and everything else in place to be ready for March 2019.

That is one area where it was deemed suitable to spend that money even ahead of parliamentary assent, because there seemed to be strong parliamentary support for the Nuclear Safeguards Bill. So we have begun to commit those moneys.

Where we have to spend other money that may prove to be nugatory, which obviously from the perspective of an accounting officer is problematic, there is now a process in place for so-called technical directions, where a case is made for saying, "If we don't get started now, we won't be ready in time." And we are working through those to achieve the necessary agreements with Treasury and Ministers in our Department.

Q163 **Rachel Maclean:** So what have you had to deprioritise as a Department as a result of the focus on Brexit?

Alex Chisholm: What we have tried to do is to make sure that in the work we do, we prioritise very carefully. I have given a few examples already in relation to our EU exit work—I mentioned that of the 68 overall workstreams, 21 have had special priority. I have also talked about how we have been able to move resources within the Department; as well as additional resources, about 100 people have been reallocated to this work. Again, that represents a prioritisation effort.

There are other examples that I could use. We are very conscious of how much legislation, particularly secondary legislation, we will need in relation to EU exit: around 150 SIs. There are 140 or so SIs that we would need over the next year for business as usual. If we tried to do every one of those, it would be very difficult for Parliament to have sufficient time to pass them all and give them the proper attention and scrutiny that they deserve. We have been prioritising among them, saying, "Which are the

really important must-haves, and which are the relatively unimportant ones that if time is not available we could get by without having in place?"

Q164 Rachel Maclean: Could you give us a couple of examples of what is relatively unimportant in this process?

Alex Chisholm: Yes. Sometimes the SIs are simply to tidy up the fact that a piece of legislation refers to a body that no longer has power, or refers to the UK as a member state, so that you have to delete "as a member state". It does not have substantive effect; it is necessary, because we have to make sure that the law is correct, but it is not really going to make a big difference in the short term. We have done a lot of prioritisation of our SIs.

Looking at some other areas, we have been taking forward some work in relation to national security infrastructure and the rules that apply to people looking to conduct M&A or greenfield investments in that area. We published a Green Paper in October in which we said, "Look, there are a bunch of things we can do that we think are straightforward and can be done quickly using secondary legislation." We have put those things in place, but for other things it is clear that more substantial work, primary legislation and careful consultation will be required because there will be more implications overall. Those will be put on a medium-term timeframe, because they are important but we need to recognise that we have to prioritise and Parliament has limited capacity.

We have tried to take that prioritisation approach throughout our work, and we meet regularly to reassign those priorities. The executive committee, which I chair, meets twice a month for ordinary business and twice a month specifically for EU exit business. In all those meetings, we are looking at the whole range of things that we are doing, to see what changes we need to make to ensure that we can continue to deliver our work, meet the highest standards of transparency and turnover of PQs, and respond to the reports of this Committee.

Q165 Rachel Maclean: Obviously, your work depends on co-ordinating with other Government Departments. How does that work in practice?

Alex Chisholm: Let me give a couple of examples. I have spoken already about the industrial strategy. The programme board, the new implementation taskforce and the Economy and Industrial Strategy Cabinet Committee are some of the key co-ordinating mechanisms. In relation to the clean growth strategy, there is an inter-ministerial group that Claire Perry leads on for us and that is meeting again next week. In relation to EU exit, there is quite a significant amount of co-ordinating machinery for different Cabinet Committees and their shadow official committees that work with them. Those are probably the most important ones.

Q166 Rachel Maclean: If there were a conflict between the priorities of two Departments involved in exiting the EU, who would be the person to lead on the decision to say, "Okay, we need to prioritise nuclear safeguards over something else"? Who is in charge?



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Alex Chisholm: One of the unique aspects of the EU exit process is that it is clear that it requires fantastically good co-ordination across the piece within the Government. It does not really work for one Government Department to take a view that is entirely inconsistent with the position taken in the main UK-EU negotiation. That process is why we have put in place the strong co-ordinating machinery. Those types of issues do get resolved through sometimes intense debates within the Cabinet machinery I have described—particularly the EU committee for strategy and negotiations.

Q167 **Drew Hendry:** Mr Chisholm, how much of your Department's resources are being put into supporting the industrial strategy?

Alex Chisholm: It is a priority for the whole Department, and we have a unit that is responsible for the co-ordinating activity; but in fact every single directorate in the Department is contributing in some way to the industrial strategy and, indeed, has particular plans being developed to ensure that everything that we do contributes overall to the achievement of the industrial strategy objectives. Can I give you an example of that? Say you are working in the clean energy directorate, which has a range of responsibilities that you can probably more or less fathom from its title. As well as trying to support the production of clean energy in the UK, it is intensely interested in the industrial benefits that we get from that activity. Offshore wind, for example, has a lot of support and has been a great success. We have been able to achieve more and more offshore wind at lower and lower cost, greatly improving the amount of renewables in the overall energy mix. But from an industrial strategy perspective, we are not only interested in that; we are also very interested in where those turbines are made. As you know, my Department, or its predecessor Department, encouraged Siemens to invest in a major new turbine manufacturing facility in Hull, and in fact the amount of UK content used in offshore wind, which was historically about 30%, rose to 40% and now 50%.

Q168 **Drew Hendry:** It is an interesting strand of work that you are talking about, but it does not answer the question about how much resource is going into delivering the industrial strategy. I am keen to know how the balance of your Department is working on that just now.

Alex Chisholm: Hundreds of people are working on the industrial strategy right across the Department.

Q169 **Drew Hendry:** And they are getting to focus on that issue.

Alex Chisholm: Absolutely, yes. It is vital.

Q170 **Drew Hendry:** Okay. Before the White Paper, the Government announced an open door policy for sectors seeking a deal. What did that mean in practice?

Alex Chisholm: In the White Paper we did try to set out some kind of criteria for sector deals. I do not know if you have it in front of you there but, just to give you a broad sense of it, what we said was that any sector deal proposal would be judged according to the quality of the leadership,



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the breadth and the strategic case for the sector. We wanted proposals that had an impact and proposals that could actually be delivered, and a balance between asks of the Government and offers from the sector. We have been obviously very satisfied with the first two that we have had so far—one for life sciences that came in at the end of last year and one earlier this year for the auto sector. As I think we announced in the White Paper, we expect shortly to have one for artificial intelligence and then, after that, construction.

Q171 Drew Hendry: When you were before the predecessor of this Committee in October 2016, you said that you would “look afresh” at what we want to achieve “in terms of our connectivity with the whole of the UK”. What is the Department doing to ensure that the industrial strategy supports business across the whole of the UK rather than just focusing on the south-east of England?

Alex Chisholm: A whole range of things. Just to give you a bit of a flavour of that, one aspect that has been tremendously important has been to work closely with the devolved Administrations. We have done so. I have personally had industrial strategy roundtables in Scotland, Wales and Northern Ireland, and our Ministers have regularly talked to their counterparts, so we engage very closely with business and academic institutions in each of the devolved Administrations as well as in England.

A second dimension to that would be working very closely with the local enterprise partnerships and the growth hubs within that. Again, our Ministers are very active, together with Ministers in the Ministry of Housing, Communities and Local Government, in liaising closely with the LEPs as we call them—also with the new mayoral authorities. As I think we said in the White Paper, we are working on and expect to be able to announce shortly local industrial strategies developed with the mayoral authorities of Greater Manchester, West Midlands, Cambridgeshire and Peterborough.

Drew Hendry: On the engagement you mentioned with the devolved Administrations, it is a fact that at the national economic forum in Scotland in December the business community expressed concern about how the industrial strategy was being communicated. It is my understanding that the Scottish Government got their first sight of the industrial strategy the weekend before it was published. Do you think that is acceptable engagement?

Alex Chisholm: We have worked extremely closely with officials in the devolved Administrations. I mentioned before that the industrial strategy programme board—

Q172 Drew Hendry: With respect, it doesn’t sound like it if the Scottish Government are getting their first sight of the strategy a day or two before. We heard earlier that your Department seems to be very dismissive of other parts of—

Alex Chisholm: We worked extremely closely in the production of the strategy. The nature of the process of finalising these things is very last



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minute. It goes through a process of approval in Cabinet known as "write round". The actual production of the document took 20 of the 24 hours before it was published. It is quite intense at that point in time. It is no surprise that people see the final version of it only a couple of days beforehand. That is true for people in the Department, as well as people outside.

Q173 Drew Hendry: You mentioned earlier the life sciences sector in terms of your engagement with the devolved Administrations in Wales and Scotland. It is a very important industry. In Scotland alone, the sector employs 37,000 people across 700 organisations, and it contributes £2.4 billion a year to the economy. The document mentions London five times, Cambridge 11 times, Oxford 10 times, south Wales twice and Glasgow only once. What do you say to that, in terms of the engagement on life sciences across the whole of the UK?

Alex Chisholm: I suspect you could find other examples of places that would like to have been mentioned.

Q174 Drew Hendry: Can you give me an example?

Alex Chisholm: Liverpool—there are excellent life sciences in Liverpool—and Birmingham.

Q175 Drew Hendry: The question was about the devolved Administrations.

Alex Chisholm: Obviously, it is a summary document, and it tries to refer to a number of examples of excellence. As a Department, we have done a so-called science audit. We have published the second wave of that, and the third wave is to follow. It tried to recognise where there are centres of excellence right through the UK, and it does an excellent job of highlighting a number of places in Scotland, as well as in other parts of the UK, and the particular things they specialise in and what they have to offer. I would be delighted to share the results of that work with you, if you would be interested.

Q176 Drew Hendry: I would certainly like to hear more about your engagement with the devolved Administrations. That was my question. I will finish on the focus on productivity. We know already that the highest productivity is in London and the south-east of England, and yet the industrial strategy seems to focus on those areas. What work has been done to establish the geographical impact of, for example, sector deals across the whole of the UK? Can you give us some examples of the work that has been done there?

Alex Chisholm: That is an excellent question; thank you very much. You have talked about life sciences already, and automotive has particular concentrations. It accounts for something like one third of the workforce in the west midlands. That is an indication of how intense it is there, but it obviously makes a big difference in lots of other parts of the country. Sunderland is an excellent example, because of the impact of having the Nissan plant there and the boost to the local supply chain, and Swindon has Honda. There are lots of different parts of the country for auto.



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Construction doesn't have the particular focus that you have. Obviously, there is a lot of construction in London and the south-east, but there is construction right across the country. A couple of the other sectors we have been looking at are the creative industries—there are very strong creative industries in Manchester—and nuclear, which doesn't have a particular south-east focus. It has got a big focus in Cumbria. It has got a focus in Scotland with Dounreay, Somerset with Hinkley and Wales with Wylfa, so lots of different parts of the country would be involved in a nuclear sector deal.

Q177 Drew Hendry: Are you saying that a geographical assessment has been done of sector deals across your Department? Can you supply that to us, Mr Chisholm?

Alex Chisholm: We certainly look at the impact when we assess new sector deals—are we continuing to reward or involve the same parts of the country, and are we achieving our ambition to make sure all parts of the United Kingdom exist in it? Another example is offshore wind, which disproportionately benefits Scotland at the moment, compared with the rest of the UK.

Q178 Drew Hendry: Because that is where the effect is. Just to be clear—I would like to get an answer to this so we can move on to other questions—you can supply the geographical impact assessments that have been carried out in the different sectors across the whole UK. Is that correct?

Alex Chisholm: What I tried to convey there is that as we look at new sector deals—we have had about 60—we assess them against that criterion among others.

Q179 Drew Hendry: Is the answer no?

Alex Chisholm: We have not tried to do a single geographical assessment of each sector deal yet.

Q180 Chair: Following on from Drew Hendry's question, Mr Chisholm, you have tried to emphasise how the Department is keen to support all areas of the UK in terms of its industrial strategy. In terms of how you lead as a Department, what proportion of your staff is based in London?

Alex Chisholm: I think there are two ways of looking at that.

Q181 Chair: Just the numbers will be fine. You have 3,300 staff.

Alex Chisholm: There are 3,300 staff working in BEIS and 34,000 staff working in our partner bodies, all of which I am responsible for as accounting officer.

Q182 Chair: Let us start with the core Department.

Alex Chisholm: In the case of BEIS—I do not have it to hand—we would be something in the high 80s, I would expect. We have got offices in Cardiff, Birmingham, London and Aberdeen. Those are the main ones, with local offices in other parts of the country. We have a substantial office in



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Victoria Street, as you know. That is where most of our civil servants are based. When we talk to our partner organisations, of which there are 55, it is the other way around. Mostly they are based in other parts of the country. Only a small minority work here in London.

Q183 **Chair:** So you have five agencies—

Alex Chisholm: Fifty-five.

Q184 **Chair:** Fifty-five agencies that you are responsible for.

Alex Chisholm: For example, the Met Office is based in Exeter. The Coal Authority is up in coal country in Wakefield.

Q185 **Chair:** It would be very good to have follow-up from you.

Alex Chisholm: Yes. I am happy to write to you with that breakdown.

Q186 **Chair:** Just in terms of the core Department staff, how does a percentage in the high 80s based in London compare with other Government Departments?

Alex Chisholm: It compares differently. If you look at the Ministry of Justice, for example, they would have quite a high proportion of people working in other parts of the country. It would be even more so with the DWP, because of the local office structure it has. It would also be the case with HMRC, because of tax bodies. Those Departments that are very much geared towards operational delivery—the MOD would have a lot of staff out of London in all different parts of the country. We would be more London-based than some of those operational delivery-focused Departments. That is certainly the case, because we do a lot of policy and policy delivery.

Q187 **Chair:** I guess it follows on from Drew Hendry's point. Perhaps London, Oxford and Cambridge are over-represented in your industrial strategy report because most of your staff are based in London and the home counties. That is their hinterland, rather than other parts of the country. I put it to you that perhaps the Department's focus and strategy might look a bit different if you were located in those parts of the country that create jobs in the everyday economy that most people live and work in. What thought has been given to putting your staff who work in industrial strategy in the industrial heartlands of our country, or putting the staff who work on the clean growth strategy in the energy heartlands of our country? You have said in your answers to previous questions that those are not London.

Alex Chisholm: It is an excellent question again. We have 200 oil and gas staff in Aberdeen, for example. We certainly find that that is important to their close links with the oil and gas industry and all the licensing we do there. We were speaking earlier about the Office for Product Safety and Standards. A lot of the staff are based in Birmingham, with others in Teddington. We are certainly open to locating staff in different parts of the country. We rely very heavily on the local offices structure we have—BEIS Local—in different parts of the country to ensure we represent what we



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are doing well locally, as well as for gathering information, insight and intelligence. I do not accept the proposition that where you are located is determinative of your outlook. We recruit from all different parts of the country. People are brought up in different parts of the country, and they spend periods of time in London and other periods in other parts of the country. I do not think your current place of work primarily shapes your view or outlook. Our industrial strategy is clearly focused on ensuring that all parts of the country are well represented and have the opportunity to benefit.

Q188 **Chair:** How many people work on industrial strategy in the Department?

Alex Chisholm: As I tried to say in answer to Mr Hendry previously, it would be several hundred. It is so important to our Department, with so many different people engaged—

Q189 **Chair:** Several hundred. Is that 200, 300 or 400?

Alex Chisholm: We have not tried to compute it because so many different people are working on different aspects of it. I gave the example of the clean energy directorate. Do you count them all as working on the industrial strategy or not? They are contributing to the industrial strategy. We talked earlier about the Matthew Taylor report. We have tried to show very clearly how our vision for good work in the economy is a very important part of the industrial strategy.

Q190 **Chair:** Presumably you have a director general who is responsible for industrial strategy, don't you?

Alex Chisholm: Yes.

Q191 **Chair:** How many people are in his or her directorate?

Alex Chisholm: Eight-hundred.

Q192 **Chair:** But they are not all working on industrial strategy—some of them are doing other things?

Alex Chisholm: No, it covers business and science, and there are different aspects of that.

Q193 **Chair:** Of the people in that directorate—

Alex Chisholm: Would you count all the people working on R&D as relevant to industrial strategy? Perhaps you should, because R&D is absolutely fundamental to what we are trying to do in the industrial strategy. If that is the case, then the number of staff engaged would be more than 1,000.

Q194 **Chair:** Of the 800 people in that directorate, which includes industrial strategy, what number of them work in London?

Alex Chisholm: It would be comparable, I would think, to the proportions that I gave earlier for the Department as a whole.

Q195 **Chair:** So more than 700 of them. I think that your Department could



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look again at whether all those people need to be in London, or whether it would be more cost-effective and bring a different perspective to the Department if they were not. When it comes to the British economy, I know that my knowledge of the economy of Leeds is much greater than my knowledge of the economy of Scotland, the west midlands or the south-west.

I am sure that all Committee members feel that they better understand the industrial and economic needs and priorities of the area that they represent and live in than those of other parts of the country. That is just natural, because it is where we spend so much of our time. I urge you to go away, have a think about that, and then perhaps respond to us in writing about why close to 90% of your staff are based in London when we need an industrial strategy, a clean growth strategy, and a Brexit policy that work for the whole economy.

Alex Chisholm: If I could just come back on that, Chair, I totally take the point that the constituency system gives a unique advantage to MPs such as yourself, and you have a particular understanding of Leeds as a result. We cannot replicate that in the Department. We have to make sure that we represent the entire country, and that we do not have any special affiliation.

Q196 **Chair:** Yes, but the special affiliation that your Department and the civil service has is with London, which alters and affects policy. That is my view, and I expect it is that of the Committee. I would like you to come back to us on why such a high proportion of your staff are in London, and what analysis you have done—if you have not done it, perhaps you could do it—of why that is necessary.

Alex Chisholm: It is not my view, but I will write back to you on that subject.

Q197 **Chair:** Okay, thank you very much. I want to move on to a different issue—that of GKN and the Melrose takeover bid. Can you tell us what conversations you have had with GKN, Melrose and other stakeholders on that takeover bid?

Alex Chisholm: The Secretary of State has written to you; I am sure the other Committee members have seen that. He has made contact with both the CEO of GKN and the CEO of Melrose, and he has also met with the unions. He has made sure that he is informed about the matter and that the Department is watching closely what is happening.

There is obviously a limit to how much involvement we can have at the moment because there is a proper process to be observed. In particular, from a competition perspective, that is done by the independent competition authorities. In the event that any public interest issues arise, the Secretary of State in particular has a quasi-judicial role to perform. He needs to make sure that he is acting impartially, has an open mind, and will act on the evidence available.

Q198 **Chair:** As you will know, GKN gave evidence to the Committee as part of



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our review of the impact of Brexit on different sectors of the economy. GKN gave evidence well ahead of the takeover bid, but we asked them to give evidence because of its key importance to our industrial strategy and supply chains in both aerospace and the automotive sector, now and particularly after Brexit. What conversations have you or your civil servants had with GKN or Melrose since the takeover bid? Have you or any of your civil servants met them?

Alex Chisholm: Yes. I have met with both, with the chair of GKN and the CEO of Melrose—to understand their positions and their plans in the case of GKN's current management, and from Melrose, to understand what they would do differently.

Q199 **Chair:** Okay. Are you clear at this stage about when Ministers are permitted to intervene under the Enterprise Act 2002? Is intervention legally permissible in this case?

Alex Chisholm: The Enterprise Act 2002 allows for intervention under one of three areas. One is national security; one is media propriety; the other is prudential control. Clearly the only one of those that could potentially apply here is national security, so an assessment of whether national security interests justify intervention will need to be made in the event that there is actually a takeover bid. A bid has been made, a response has been issued and we wait to see what the position of Melrose is.

Q200 **Chair:** Melrose has put forward a takeover bid and by the end of March shareholders will have to decide whether they accept that takeover bid. I would just repeat my question. Are you clear whether the Secretary of State can intervene? Is it legally permissible in this case, on the national security grounds that you have mentioned?

Alex Chisholm: I am clear on what the law says and I understand what is happening with the companies, but I am not going to comment on a particular case as to whether or not the law bites on this case now.

Q201 **Chair:** Okay—well, if you are not happy to tell us—

Alex Chisholm: That assessment has not been completed, so I am just saying—

Q202 **Chair:** Is the Department doing work on whether it would be legally permissible to intervene in this case?

Alex Chisholm: In mergers of this kind where there is the possibility of national security issues arising, absolutely, you would always find that careful assessment is made, not just by our Department but by other parts of Government as well.

Q203 **Chair:** And that work is ongoing at the moment.

Alex Chisholm: It is.

Q204 **Chair:** By the end of March, shareholders will be voting on whether they accept the Melrose bid. Will the Government make a judgment on whether they can intervene before or after that, because presumably that



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is very pertinent to the decision of shareholders?

Alex Chisholm: It is open to the Government to determine whether or not they intervene, if they choose to, either before the bid process is complete or afterwards. If you look back through the history of national security interventions over the last 20 years, both types have applied.

Q205 **Chair:** In the last 16 years, since the Enterprise Act 2002, on how many occasions have Ministers intervened on grounds of national security in a takeover bid?

Alex Chisholm: It is approximately a dozen.

Q206 **Chair:** Were those before or after shareholders had voted on that takeover bid?

Alex Chisholm: Both kinds. I haven't tried to analyse the two.

Q207 **Chair:** Could you respond to us with the detail of those dozen cases and whether the intervention was made before or after shareholders voted?

Alex Chisholm: UK cases only, or European cases as well?

Q208 **Chair:** UK businesses that have had a takeover bid, either by a UK company, such as in the case of Melrose, or a foreign-domiciled company.

Alex Chisholm: The cases being assessed by the UK competition authorities only or by the European authorities as well?

Q209 **Chair:** By the UK.

Alex Chisholm: Okay. Yes. We will do that.

Q210 **Chair:** What conversations have Ministers or civil servants had with the Ministry of Defence on a potential intervention on national security grounds?

Alex Chisholm: I can't comment on that.

Q211 **Chair:** For what reason?

Alex Chisholm: I don't know what discussions there have been between Ministers on this matter, but I do know that there is proper assessment going on across Government.

Q212 **Chair:** In the end, will it be your Department or the Ministry of Defence that will determine whether an intervention can or cannot be made on national security grounds?

Alex Chisholm: The way the legislation is written, it is the Secretary of State who exercises that power on behalf of the Government. You would certainly expect that on a matter that raised issues of relevance to the Secretary of State for Defence, it would be for the Secretary of State for Defence to raise any concerns they had with the Minister.

Q213 **Chair:** What I am trying to understand better is the process that takes place. So the Secretary of State for Business, Energy and Industrial



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Strategy makes the decision—

Alex Chisholm: On behalf of the Government.

Q214 **Chair:** But on the basis of what advice?

Alex Chisholm: Advice and consultation.

Q215 **Chair:** Usually, civil servants advise and Ministers decide, so is it your Department, ultimately, that will provide that advice?

Alex Chisholm: In co-ordination and consultation with other Departments of interest, yes.

Q216 **Chair:** Will that advice be published?

Alex Chisholm: In matters of national security, probably not.

Q217 **Chair:** Okay. Since the industrial strategy was published, has the Department's approach to intervening on takeovers changed in any way, or do you think there are grounds for changing the rules in this area, perhaps to make it easier to intervene, for purposes of our industrial strategy?

Alex Chisholm: Could I answer the question by going back a little bit? There was a very active debate in Parliament, you will remember, in 2010, at the time of Kraft's takeover of Cadbury, and in response to that and issues and concerns raised with the Government, the takeover code was strengthened in 2015 to allow binding post-offer undertakings to be given. That mechanism was used early on in the first May Administration; in the case of the SoftBank-Arm merger, post-offer undertakings were given. So that is a new mechanism that exists and could be relevant.

I would also like to highlight the fact that further changes have been made since BEIS came into existence. With the encouragement of the Department, the panel has made some further changes to strengthen the code, which just came into effect—on 1 January 2018. There were two main changes. One was that companies that are subject to a bid have more time to prepare their response than they had previously, because that issue was raised with us by people on the receiving end of hostile bids. Also, the bidders are required to provide more details of their intentions to the target up front. So those are two improvements and tightenings to the regime. Obviously, it is for the Government and for Parliament to decide whether additional changes need to be made in the fullness of time.

Q218 **Chair:** I have two further questions on this issue before I move on. Obviously, you and your Department are looking closely at this and will provide information to the Secretary of State so that he can exercise his judgment on whether any type of intervention is possible. Will you and your Department give that advice to the Secretary of State before shareholders vote? Whether the Secretary of State makes his decision before or after, will you give that advice, on whether it is legally permissible to intervene, before the shareholder vote at the end of March?

Alex Chisholm: I cannot give an absolute commitment to that, but I would expect it to be available in that timeframe, yes.

Q219 **Chair:** Okay. When you met with the executives at Melrose, what assurances did you ask for from them in terms of, for example, R&D and jobs?

Alex Chisholm: They have published in their initial offer some statements that relate to future employment and the like, as well as about their previous record of takeovers they have conducted. Obviously, there is an opportunity for them, if they proceed with this bid, to give additional information and additional reassurance to people about the nature of their plans as they affect jobs and R&D at specific facilities in the UK. They could do that if they come back with a revised offer, with a fuller description of what their plans are, which they may or may not be planning to do; I am not privy to that. Also, they could do that formally, using the mechanism that I mentioned before, of post-offer undertakings.

Q220 **Chair:** But you did not or the Minister did not ask for any further assurances over and above those that are in the Melrose offer currently?

Alex Chisholm: The Minister made contact at the time of the initial bid's being announced. I met with the parties subsequently. I made sure that they were aware of the way the regime works and of the changes that have been made to allow for these things, but clearly it is a matter for them. As is suggested by the word undertaking, it is a matter for the companies whether they choose to enter into those, but clearly that is something that is open to them and could be effective in providing reassurance to interested stakeholders.

Q221 **Chair:** Can I ask about the gender pay gap in your Department? What steps are you taking to address the fact that the Department's latest gender pay gap reporting showed that, both with and without its five executive agencies, it has a 15% median gender pay gap?

Alex Chisholm: First of all, thank you very much for your work in particular, Chair, in championing this issue, which we are also very strongly committed to both as a Department and in the work we can do with the industry we relate to. You are right that our median figure is 15%. If we took the mean, the average would be 9%. That is almost 100% explained by differences between the proportion of men and women at different grades within the Department. There is almost no difference in pay between men and women within grades, just slight differences of 1% or 2% in both directions. That tells us that we need to get a higher proportion of women at the top level of the Department. That figure is currently about 45%. If that figure was 50%, which is our ambition and our target to achieve, we would have no gender pay gap. If it went to 55% we would begin to introduce a pay gap the other way, but clearly our intention and plan is to be balanced.

What are the concrete steps we can take to try to achieve that? Our analysis is that it requires a stick of rock approach. You have to do it with lots of different things; there is no single silver bullet to it. It is partly to

do with recruitment, and we have taken lots of steps to make sure that our recruitment is extremely open to women as well as men, and also to people from BME and other backgrounds. That includes things such as the gender of people on panels, the way it is described, the language used and unconscious bias training given to people on the panel. Recruitment is one big thing.

A second area of work would be around retention and development. We have a very active and effective women's network; we encourage a lot of work to be done through the positive action schemes, crossing thresholds and positive action pathways. We have a discussion every month, and I personally work closely with a lot of women at the middle level of the Department to encourage them to continue to rise through the departmental ranks.

We have also looked at the performance management. We have had a big focus in the last year on our performance management system, and from our consultations with women's groups and others there was a perception that sometimes different types of behaviours are rewarded in different ways that affect people's pay. We have made some changes. We have a whole new performance management system being introduced from 1 April, which reflects an even fairer, more transparent and unbiased approach.

The last group of things we tried to do was to focus on making sure that when we merge the BIS and DECC pay systems, we used it to further address any slight anomalies that had been introduced. That was useful—

Q222 Chair: When you became Permanent Secretary of the Department, what proportion of the senior grades were women? You say it is 45% now. What proportion was it when you became Permanent Secretary?

Alex Chisholm: From memory—I don't have it to hand—I think BIS would have been close to 50:50 and DECC would have been more like 40:60.

Q223 Chair: So overall it was about the same?

Alex Chisholm: I think it went down a couple of percentage points and is now rising again. Because they are quite small numbers, particularly among SCS pay band 2, three or four departures to join other Departments—

Q224 Chair: What is your ambition for when you will achieve that 50:50?

Alex Chisholm: As soon as possible, certainly. We have committed to do it as a Department by 2026.

Q225 Chair: So in eight years' time you hope to achieve that 50:50 ratio?

Alex Chisholm: No, I would hope to achieve it much sooner, but you asked me—

Q226 Chair: One of the criticisms of your Department that has come up a few times today, Mr Chisholm, is that you do not much like having measures to which we, or others, can hold you to account. On this, 2026 is in eight



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years' time, so "much sooner" could be anything between tomorrow and seven years, 363 days. How much sooner?

Alex Chisholm: We have published our targets for all of this. I do not accept that we are lacking in transparency in our analysis on diversity. We have published for every directorate, every grade and all the targets. It is all available on the website, but I can write to you to draw attention to where it is.

Q227 **Chair:** Yes, because if it really mattered to you, Mr Chisholm, I would expect you to be able to give us a bit greater clarity. When you became permanent secretary, what proportion of those senior grades were women, how has it changed under your tenure in the Department and when will you get to that 50:50? When we do this in the future, at how many meetings with you will we be able to say, "You said that by this point you would have achieved 50:50" and either, "Well done. Congratulations" because you have met or exceeded that or, "I am sorry, but you have not"? To be able to hold you to account, we need something a bit clearer.

Alex Chisholm: We have published those things, and I will write to you drawing attention to where they are published.

Q228 **Chair:** Okay. The agencies, which we have raised this with before, seem to have a bigger problem than the central Department in terms of the bonus gaps, the mean gender pay gaps and the proportion of women at a senior level. What is the problem at the agencies? Is it a few agencies within those 55, or do you have this underrepresentation of women at senior levels, and pay gaps across the board in the agencies?

Alex Chisholm: I wrote last year to all the chief executives and chairs of agencies to require them to adopt action plans like our own to ensure that they closed their own gender pay gaps. We are meeting next month to look at their progress in doing that. My observation is that the energy sector is well known—looking at the work of powerful women—to have a very significant skew towards men, particularly in senior ranks. That has probably been reflected in some of our agencies that work in those sectors. In other cases, there is no visible skew at all or, if there is, there are slightly more women than men. It varies.

We have had a big drive on senior-level appointments to the boards, which is something that we can influence, because we think that is important in setting the tone of the organisation, giving people positive role models and changing the culture within those organisations. We are making progress on that.

Q229 **Chair:** When you respond to us, it would be good to have those statistics on the gender pay gap and the proportion of women at senior levels broken down for the 55 agencies. I would also like to know how many of those 55 agencies have women as chief executives and chairs, if you could provide us with that information.

One final thing on the gender pay gap. So far, just over 1,000 businesses employing more than 250 people have published their gender pay gap.



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By 4 April all businesses employing more than 250 people need to publish. So within the next five or six weeks another 7,000 or 8,000 businesses need to publish that data. Are you expecting them all to publish within that timescale, and what is the penalty for firms not publishing within it?

Alex Chisholm: As you will be aware, the gender pay gap regulations policy is owned by the Government Equalities Office, which is an agency of the Home Office. I am not here to give evidence for the Home Office, but my understanding is that the Government Equalities Office is driving compliance ahead of the deadline for the first year of reporting. As Departments, we have all ensured that we have already published our gender pay data. In our case, we did so in December, three months ahead of the deadline.

On the question of sanctions, I will emphasise, as I am sure you are aware, that employers in scope of the regulations—that is, with 250 employees—have a legal duty to report a gender pay gap. It is not optional. If they fail to do that, the Equality and Human Rights Commission has the power to investigate any breaches of regulations, including the publication of inaccurate data. It has recently consulted on its enforcement policy. It is allowed to seek court orders if employers refuse to comply, and businesses could face fines as a consequence of those court orders.

Q230 **Rachel Maclean:** Thank you for setting out what you are doing in terms of addressing the gender pay gap. We all understand there are a raft of different things that can be tried. A lot of the thinking around diversity is that a lot of the diversity programmes and measures do not really work, or they might not work, so what are you doing to make sure that the ones you are putting in place in your organisation are actually working and addressing the diversity and gender pay gap? You have said it has already gone down a bit and you have got a lot of plans, but how do you know that you are doing the right things?

Alex Chisholm: We do an enormous amount of work to try and test those. You are absolutely right that it is not only the analysis we have done, the targets we have adopted and the changes that I mentioned around recruitment, retention, performance and management base pay. I did not quite get to talk about empowerment and family-friendly policies because I was interrupted, but there are other things there. To try and make sure that we are really getting the change that we want to see, we work closely particularly with the women's network, which does a lot of detailed surveys.

To give you an example, we identified an issue where a number of women in the Department had a perception, and told us, that when there are temporary promotions, they felt those tended to be more open to men than women. We said that would be bad if it were the case. What is the fact of the matter? We did an analysis and found that you were slightly more likely to get a temporary promotion if you were a woman, so we played that back to the women's network and they were able to tell the



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women in the Department that that was something they did not need to be worried about because the evidence did not support it. We take an evidence-based approach the whole way through, and we constantly strive for better because it is incredibly important to us, as I know it is to this Committee.

Q231 **Drew Hendry:** According to the McKinsey Global Institute, closing the gender pay gap could add £150 billion to the annual gross domestic product.

Alex Chisholm: I have read the report.

Q232 **Drew Hendry:** If you have read it, why is it not a strategic priority for your Department?

Alex Chisholm: It is a strategic priority not only for our Department, but for industry. For example, last year, at my instigation, all the Ministers in our Department wrote to all the energy companies. One of the things that they said is that not only should they make progress on this because it is the right thing to do, but it also makes excellent business sense. One of the examples that we chose was the McKinsey report that you just quoted.

Q233 **Drew Hendry:** You said you wrote to the energy companies. Who else did you write to? What other sectors did you write to?

Alex Chisholm: We support the Hampton-Alexander initiative, which is obviously supported from my Department. We continue to push that very strongly. I highlighted the energy sector because it is particularly bad at the number of senior-level women appointments. I felt that, especially for large well-established companies, we really needed to encourage the chairs and chief executives to take this more seriously as a top-level issue.

Q234 **Drew Hendry:** You have singled out the energy sector, but in fact the 2016 report from your Department shows an 18% gap across business in the UK.

Alex Chisholm: Hampton-Alexander is right across the economy.

Q235 **Drew Hendry:** So, to ask the question again, in addition to the energy sector, who else have you written to about this issue and what other action have you taken?

Alex Chisholm: In terms of the letters, we have not sent letters to every business—there are 5.5 million. We tried to focus on the energy sector because we thought we could make an impact on that. But Hampton-Alexander is right across the economy and this work here—this is legislation to publish on gender pay—applies to every company in every sector with 250 employees.

Drew Hendry: Perhaps you could write to us with the detail on the work you have done on that. That would be helpful.

Q236 **Vernon Coaker:** To return to the issue of climate change and the clean growth strategy and the answers you gave earlier, BEIS is the co-ordinating body for this across Government. It requires huge co-



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ordination between yourselves, DEFRA and DFT. Can you outline for the Committee the structures that are in place to achieve this? Were any officials in your own Department specifically tasked with doing that? Was anyone placed in other Departments to do that? How is it all co-ordinated?

Alex Chisholm: It is co-ordinated in a number of ways. The most important is the inter-ministerial group that I mentioned, which involves the Ministers from most Departments.

Q237 **Vernon Coaker:** Remind me who the Chair is.

Alex Chisholm: Claire Perry.

Q238 **Vernon Coaker:** The Minister chairs it.

Alex Chisholm: Yes. As is almost always the case, the inter-ministerial groups are supported by groups of officials who have their own work programme in support of that.

Q239 **Vernon Coaker:** Do you know how often it has met?

Alex Chisholm: It has certainly met more than once; I do not know how many times.

Q240 **Vernon Coaker:** It would be interesting to know how many times it has met.

Alex Chisholm: I think it has met probably twice. That is part of the co-ordinating mechanism.

There is a group of people in my Department dedicated to making sure that the clean growth strategy rolls out successfully. In terms of working with other Departments, we have some interesting structures. We actually have a joint unit with the Department for Transport purely focused on electric vehicles, because that is a tremendously important part of the ambition that we have in that area. It is quite an interesting innovation, and we recognised that we each have half of the knowledge and skills necessary to make a success of that, so it is actually a completely joint unit called OLEV.

Q241 **Vernon Coaker:** Transport is crucial, isn't it? As the Committee on Climate Change points out, it accounts for a quarter of all our emissions. It wants a 44% reduction in that by 2030. Achieving that will be a huge challenge for us.

Alex Chisholm: No question. That is one of the reasons the Government spent £246 million on additional support for R&D, through the Faraday Institute, into batteries. We see that as really crucial.

Q242 **Vernon Coaker:** We are going to Norway to see electric vehicles and how that is done. If you felt that the Department for Transport was not making the progress you wanted, how would you measure that and then what would you do?



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Alex Chisholm: It really is a cross-Government commitment. You have seen the road to zero and the statements made by Chris Grayling and others, which have been extremely forward leaning, in terms of their determination to decarbonise the transport sector. There has been great work on electric vehicles. We have also set this target of phasing out diesel vehicles by 2040, and trains—

Q243 **Vernon Coaker:** But transport emissions are going up at the moment, aren't they? Although it has gone down, the last few years have seen it going up.

Alex Chisholm: In our forecasts for electric vehicles, we actually bring forward the expected date for that to become a mass form of transport.

Q244 **Vernon Coaker:** I have one last question. In January '18, the Committee on Climate Change produced an excellent table of key milestones and timings. When you read about the different sectors—power, buildings, industry, transport, agriculture—it is all great stuff and nobody will disagree with any of it. The crucial bit is how it will happen and how aspiration and rhetoric will be turned into reality.

How will the Department report on the progress? The Department has the ultimate co-ordinating responsibility, so how will it measure progress on each of those targets—put down with specific years—flag up where it is not happening and say what needs to be done? What power do you have to bring about that sort of change if you feel that some are perhaps not giving it the priority that they might?

Alex Chisholm: I think we have Parliament to thank for that, because the Climate Change Act provides for exactly that mechanism of making sure that people make good plans and then holding them to them. The mechanism for doing that is that the Committee on Climate Change, which does great work, produces a carbon budget and says what we need to do. It is like a ratchet; it has to go down in stages. We then have to respond to that and say whether we accept it, and then produce a plan that shows how we will be able to deliver against it.

Q245 **Vernon Coaker:** So you have to produce a report that highlights progress?

Alex Chisholm: Absolutely, and with great success. Our most recent plan—we called it the clean growth strategy, but it is effectively the emissions reduction plan for that budget—shows that, against the fourth and fifth carbon budget, what we have done already will deliver 97% and 95% respectively of that. That is without the benefit of new policies yet to be developed.

We are very nearly there. We are actually making fantastic progress, and I am sure that one of the reasons for that is because it is long term. It is very difficult to keep people at it for a long-term period; the attention wanders, costs go up and people get distracted. The Climate Change Act is like a mechanism for keeping the Government extremely focused on the 2050 target and making sure that we don't lose the momentum on that.



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Particularly characteristic of the most recent emissions reduction plan is, as you said, that it is right across Government, but also that we have seen great economic side benefits from it. We have really seen clearly that the low-carbon economy is also very fast growing—in fact, it is growing a little bit faster than the rest of the economy at the moment, and there is great potential for employment and investment in that sector.

Chair: Thank you, Alex Chisholm, for giving evidence to us today on a wide variety of subjects. It has been very informative, so thank you for your time.