

Select Committee on the European Union

EU Financial Affairs Sub-Committee

Oral evidence: Brexit: the European Investment Bank

Wednesday 21 November 2018

10 am

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Members present: Baroness Falkner of Margravine (The Chairman); Lord Butler of Brockwell; Lord Cavendish of Furness; Lord Desai; Lord Giddens; Baroness Liddell of Coatdyke; The Earl of Lindsay; Lord Vaux of Harrowden.

Evidence Session No. 7

Heard in Public

Questions 76 – 88

Witnesses

Robert Jenrick MP, Exchequer Secretary to the Treasury; David Lunn, Director, EU Exit, HM Treasury; Philip Duffy, Director, Growth and Enterprise, HM Treasury.

Examination of witnesses

Robert Jenrick MP, David Lunn and Philip Duffy.

Q76 **The Chairman:** Good morning, Mr Robert Jenrick MP, Exchequer Secretary to the Treasury, it is a pleasure to have you here with us today in our evidence-taking session on the European Investment Bank. I also welcome Mr Philip Duffy from HM Treasury, director of growth and enterprise, and Mr David Lunn, director for EU exit, also at the Treasury.

You have before you a declaration of Members' interests. The session is being broadcast on parliamentlive.tv, and a full transcript is being taken. You will have the opportunity to make corrections shortly after the session. Mr Jenrick, I understand that you are with us until 11.30 am.

Robert Jenrick MP: Yes.

The Chairman: That is excellent; thank you. Over the last several

months, we have been taking evidence on the UK's position with regard to the European Investment Bank and any substitution, replacement or future relationship with it. We have heard from witnesses how significant the EIB and the fund's investments are in the UK and how they help to crowd in investment and particularly address sectors significant to our economy. A lot of our interlocutors told us that there was a real issue about losing access to the EIB and the EIF. Will you tell us what your thinking is on these fairly significant issues?

Robert Jenrick MP: Good morning. Thank you very much for inviting me. I have been a Minister at the Treasury for 10 months, so I feel as if I can shed my ministerial nappies by appearing in front of your Committee. This is very timely, clearly, and it is very helpful for us to explain our thinking to you. I will begin by putting it into a wider context. Regardless of whether we had chosen to leave the European Union or otherwise, if we want sustainably to grow the economy, we have to tackle the productivity challenges facing the country. Infrastructure and increasing the amount of public and private capital available to businesses and entrepreneurs would have been two of the great challenges facing the country and important to the Government, regardless of the decision in the referendum. Certainly, since the Chancellor has been in his position, those are two core focuses of the Treasury's activities.

First, we are trying to renew our infrastructure, particularly to make it fit for the digital age. We have done that in a number of ways, which I am sure we will touch on with respect to the EIB over the course of this morning's hearing. The net effect is that we as a Government want to increase the amount of public investment to the highest sustained levels for more than 40 years.

The history of infrastructure investment in my lifetime has been that, as usual with economic stimuli, there have been peaks, but then they have fallen away again. We have sought as a Government—and I hope that if we deliver on our plans it will be achieved over the course of this Parliament—to bring public infrastructure investment up to that sort of level and hold it there for a considerable amount of time. That is most pronounced in roads, rail and digital infrastructure. Our attention was already focused on how we could increase the amount of capital available for infrastructure investment, even before the referendum.

Secondly, with regard to capital more generally, and making sure that it is available for entrepreneurs, SMEs and high-growth sectors of the economy, we have not been sitting on our hands since the referendum. At last year's Budget, we launched the patient capital initiative, which applied a number of different lenses to those challenges. One was looking at how we can renew the incentives and the ecosystem that we offer entrepreneurs, whether it is SEIS or EIS, and focus those more on crowding in private investment to the most important high-growth sectors of the economy.

It is also about increasing the role and maturity of the British Business Bank, which will play an important role as we leave the European Union,

as well as putting more of our own public capital at the disposal of the economy in different ways, whether through the British Business Bank or reaffirming our commitment to the UK guarantees scheme, for example. We will make specific interventions, particularly in new technologies that we think have high potential to drive the economy forward, whether that is electric vehicle charge points or digital broadband rollout.

We had been focusing on those challenges before we made the decision to leave the European Union and in the time since then, but that is not to underestimate the importance of the EIB or the EIF. We believe that both play an important role in bringing capital into the economy. The Chancellor has said on numerous occasions since the referendum, and he said it again in the Budget earlier this autumn, that we will prepare for any eventuality. We would like an ongoing relationship with the EIB, but we will make the necessary preparations, so that there is no shortfall if that is not possible, or not possible to negotiate in the time available to us. I am sure that in your questions you will probe us more on those points.

Q77 The Chairman: I shall come straight to the shortfall. Our witnesses have told us that they are already feeling a change, and that is while we are still very much a member. If I understand the situation correctly, the EIB will stop supporting new projects from March 2019. What kind of contingency planning are you doing? Are you trying to reach agreement with the EIB on future financing?

Robert Jenrick MP: You are absolutely right that we will not be able to be a member of the EIB after exit date, because we will not be a member state. Projects that have already been financed will continue to be supported.

The Chairman: By the EIB.

Robert Jenrick MP: Yes, by the EIB. Projects where approval has been reached before exit date will be able to be signed and financed during the implementation period, assuming that we agree that. There are a small number of UK projects in that category, and we should be able to provide the certainty that people require to deliver them. As the Chancellor said, we would like to secure an ongoing relationship with the EIB, but that will be a matter for the negotiations that will now commence in earnest on our future relationship with the institution and the rest of the European Union.

Baroness Liddell of Coatdyke: To take up the theme that the Chair has started on, you say that there will be continuity going forward. First, how do you configure an ongoing relationship as a third country with the EIB, given the formation of the EIB? Secondly, you talked about infrastructure expenditure and help through investments for patient capital. We were told, very convincingly, by the British Business Bank how much the EIB's due diligence is worth, because of its rigour and provenance. How will you roll all that together when you are in a much more fragmented environment than the EIB, which is not quite a one-stop shop but it is in

that sort of area?

Robert Jenrick MP: That is a good question. The ongoing relationship is clearly a point that we need to progress and intensively negotiate with the EU and the institution. It has a number of relationships with third parties; we would be somewhat different from most of those third countries, because we are a larger and more mature economy than many that it has relationships with, but that is not to say that we will not be able to agree our own bespoke arrangement with it.

On the advantages of the EIB, as your hearings have brought out, there are a number of areas where the EIB has particular expertise. As you said, it has maturity and a well-respected track record, and it has capacity, particularly in some areas of technology, such as renewables. It has a track record of supporting new technologies sooner than some other institutions; on wind power, for example. There are specific advantages where the EIB has proven itself in offering loans of long duration, which are important to particular infrastructure projects.

We do not underestimate the fact that there will be, or might be, a gap in the market that we would want to move into. At the moment, we are offering a number of different options. We have not brought them together at this stage into a one-stop shop, as you suggest, but we are putting more capital into the British Business Bank. It is an institution still in its infancy compared with the EIB, but it is growing in maturity and reputation. We offer the UK guarantees scheme, which is up to £40 billion. Through that, we have offered up to £1.8 billion in guarantees to a wide range of different projects of similar scope to the EIB's. We are offering a number of other interventions; for example, in last year's Budget we created a £400 million intervention specifically around electric car charging points. As the EIB might have done, we took an important new emerging technology that will be important for the future of the economy and created a fund that has crowded in private investment.

You asked whether it would be better to bring those together under a single heading. We will consider that in the review that the Chancellor announced in the Budget into the future of infrastructure finance, and which we will take forward either at the end of this year or very early next year.

Q78 **Baroness Liddell of Coatdyke:** How much are you able to leverage the paid-in capital that will still continue to be in the EIB until 2030? Can you use it, or are you intent on using it, as part of your negotiating strategy?

Robert Jenrick MP: We have negotiated the return of the paid-in capital from the EIB, which is around €3.5 billion. That will be returned to us, unless of course we choose to reach a separate arrangement with it in the negotiations to come. At the moment, it will be returned to us, and we can deploy it however we wish.

Baroness Liddell of Coatdyke: Is it in 2030 that it will be returned?

Robert Jenrick MP: Yes.

David Lunn: Over the period to 2030.

Lord Vaux of Harrowden: Can I follow up on the point about €3.5 billion, which is the paid-in capital? The EIB is an organisation that makes a return and a profit and, typically, when one invests in such an organisation and exits, one would expect to earn one's share of the return. My understanding is that the share of the profits we are leaving on the table is actually more than double the paid-in capital. Why have we agreed that?

Robert Jenrick MP: I shall let David add more, because he is more familiar with the EU negotiations. Our advice was that it was a fair settlement. We will receive back all our paid-in capital, and that was negotiated in the round, as part of the wider negotiation of our withdrawal.

David Lunn: It would be a mistake to think of the EIB as a conventional private sector commercial organisation, because it is not. There is nothing in the treaty and the EIB statutes that says what happens when the shareholder leaves the bank, and how the shareholder gets his money back. There is not even a clear legal right to get the €3.5 billion back, so you are negotiating against that standpoint. It is not a situation where you can just take your shares and sell to the market. It was a negotiation, and we got the best deal that we could get in the context. That is how it worked.

Lord Vaux of Harrowden: Typically, in fairness, one would expect to get one's share of the profits made during the period of ownership, so I am quite surprised by that. Maybe it gives us more leverage, if we are leaving the paid-in capital in the organisation until 2030 and leaving our share of the retained profits. Does that give us more leverage in working with the bank going forward and continuing to benefit from finance?

David Lunn: I can only repeat the point that nothing in the statute says that we, the shareholders, have a claim over the paid-in capital, or certainly over the accumulated profits. We can have that future negotiation, but it will be against the backdrop of the withdrawal agreement, so I would not want to overplay any leverage that it would give us.

The Chairman: This Committee did a report on the EU budget that made it clear that there was no simple, straight line of vision as to what the liabilities and assets were. If you are saying that this was, in effect, just about the best deal we could get, Mr Lunn, does that roughly £7 billion count towards the £35 billion to £39 billion that the exit fee will be? Why can we not offset it against that? If we are leaving it in, surely it should reduce our exit fee by a commensurate amount.

David Lunn: To say "leaving it in" suggests that it was ours to leave in. As I say, that is not how the statute works, and it would be a mistake to think of it in that way.

The Chairman: No, but I am suggesting that, if it was part of the overall settlement, possibly it would be sensible to leave aside what the statute itself says, because there is no statute on buildings, pensions and a lot of other things. We looked for statutes and could not find any. If it was part of the overall negotiation, it should be part of the overall cake. It is a significant sum of money; it is at least 20% of what we think we will have to cough up. Did it even cross our mind to do that?

David Lunn: Clearly, we are aware of how you would value a shareholding in a conventional organisation. All I can say is that this is not a conventional organisation, and the negotiation was driven by the statute and our rights under that statute. I am not sure that there is much more I can say, to be honest, but we very much understood the position.

Lord Vaux of Harrowden: It does beg a question. The lesson to be learned, if we invest in other such organisations in future, is to make sure that the statutes are rather clearer on these situations.

The Chairman: That might also apply to Article 50, and the people who drafted it, but I shall not go there.

Q79 **Lord Butler of Brockwell:** Exchequer Secretary, you said that you have been thinking about the relationship and are looking forward to carrying it forward and having discussions. We understand that the EIB has also been thinking about it, and indeed is keen to continue to do business with the UK. Why have those discussions not started? Is it something that the EU has insisted can take place only during the interim period?

Robert Jenrick MP: David is closer to the negotiations than I have been. My understanding is that we have not been able to take it forward at this stage, until we can agree the withdrawal agreement and move forward to discuss the future relationship. There have been some very preliminary discussions, but no formal negotiations can commence until we have agreed the withdrawal agreement, which I hope we will be in a position to do shortly.

Lord Butler of Brockwell: Is that not a little strange? The EIB is not the EU; it is a separate organisation, of which we are at the moment a member. It seems odd that the EU has forbidden the EIB to discuss the future relationship with us until the departure agreement has been settled. Am I right in understanding that?

David Lunn: It is clear that any negotiation about the future relationship with the EIB will form part of a wider negotiation around the UK's relationship with the EU. That is very clear, and it is very clear that that is where the EIB is, and where the Commission and the wider EU side is. We have attempted to have those conversations, but there is no immediate interest in that until the withdrawal agreement is agreed.

Lord Butler of Brockwell: In that case, could you tell us something about the options you are considering? What are you hoping for from discussions with the EIB?

David Lunn: As the Minister says, there is a range of precedents in existing practice. The EFTA countries have a relationship with the EIB, as do Turkey and other third countries, so there are precedents we can look at. The truth is that, to a large degree, it will be driven by the wider relationship. If the relationship is close, you can imagine a closer relationship with the EIB. If the wider relationship is looser, it is harder to see a particularly close relationship with the EIB. Until we know with more clarity where that will go, it is difficult to be too prescriptive about what the future relationship with the EIB will look like. It will very much be subject to negotiation over the coming months and years.

Lord Butler of Brockwell: We understand that the UK cannot be a member of the EIB when we are a third country. One suggestion for a way round that is that the EIB could set up a subsidiary, with which the UK could be associated. Is that a possibility you have been considering?

David Lunn: It is a thought we are aware of, but it is not something we have done huge amounts of active work on to date. It would be part of the conversation with the EIB, but, as I say, it would depend in part on what the wider relationship looks like. In a world where there was a closer relationship, there could be more imaginative solutions such as that, but we have not progressed far on it as yet.

Lord Cavendish of Furness: It seems very strange to me that you are talking in such vague terms about such an enormous contribution made by an organisation, and now there is a complete vacuum that seems to leave you completely unconcerned.

Robert Jenrick MP: We are not unconcerned about it. In my opening remarks, I said that we think the EIB is an important institution, which is why we have taken a number of steps since the referendum to prepare for our future outside the EIB, whatever the relationship may be. It is a contributing factor for our choosing to invest far more public capital in infrastructure than we have ever done before.

I would not overstate the importance of the EIB. In my answer to previous questions, I acknowledged its strengths, and its contributions to financing infrastructure, but I would not overstate that. Its contribution is financing of about €7 billion a year. We have a pipeline in this country of more than £600 billion of infrastructure that will be financed through the public and private sectors in the years ahead. The EIB is an important contributor to financing our infrastructure, but it is not the decisive factor in its success. A number of other options are available to the public and the private sector, and we currently have flourishing capital markets for infrastructure, where government-backed or government-endorsed infrastructure projects in particular, or those of public utilities, do not struggle to raise finance.

Philip Duffy: It is not right just to look at the gross numbers and assume that is what we are looking at as additionality from the EIB. In practice, 80% of its lending is to four sectors: energy, transport, water and education. It has been a relatively important investor, particularly in

water, but by far the more important factor in water, both for the bill payer and for companies, is the quality of economic regulation that underpins the water industry and the assumptions made about interest rates across the economy by the regulator in its quinquennial reviews. That is far more important to driving the overall level of investment and confidence in that market.

We are looking at the detail of the loans that have been made. As the Exchequer Secretary said, some of those loans either have a single very high volume or a very long tenor, which is frequently not available in the UK market. In that environment, there is a case to say that the Government need to look at that and make sure that it is still available. The most obvious example would be the Thames tideway tunnel, with a single loan of £700 million on that £4.2 billion project, which is pretty unconventional for the UK infrastructure market. That is a pretty exceptional project, and it is not right to say that the market would struggle to replace some of the EIB lending.

In the period we are looking at—and the data I am referring to date back to 2010—market rates in the UK were in general higher than they were in the eurozone, where the EIB loans. For many of the infrastructure providers at that time, it was more commercially attractive to look at an EIB loan than a loan in the UK market, but that is not the same as saying that one was not available. The impact on bill payers is principally determined by the allowance that the regulator makes for the interest rate, and there has been well-publicised criticism that that was got wrong at the last quinquennial review.

It is a much broader picture, and it is not right to say that this is the only show in town for those sectors. In practice, it is a useful one, but not a unique one, and we have many options, as the Exchequer Secretary says, to put back capacity in particular corners of the market that may be struggling.

Q80 Lord Butler of Brockwell: Before we leave the options for the future relationship with the EIB that you are considering, do they include an arrangement that would allow the EIB, or a subsidiary, to give loans on the same scale as we are getting at the moment? In other words, can you envisage arrangements that would not leave a gap following our leaving the EU?

Philip Duffy: A couple of features of EIB lending are worth referring to. The first is the confidence it gives the overall market, because it has a very good due diligence process. The second, in the case of the very long-term loans, is the quality of economic regulation. The Thames tideway tunnel was a regulated asset base project, where construction risk and cost overruns were significantly underwritten by the regulator and the bill payer, which encouraged people to come to the market. On top of that, the Treasury has the option of extending a Treasury guarantee.

That combination of interventions—the regulation, the RAB model and a Treasury guarantee—would probably mean that you could raise money on the kind of duration we are talking about for some of these projects. There are options, and that gives you the same effect as having a single very large loan, so it is not obvious that you have to have a very large loan to meet that particular financing gap.

Robert Jenrick MP: To answer the question directly, I do not think that we are prejudging the negotiation at all. For all the reasons that you and we have described, we are interested in having a relationship with the EIB that would be helpful and productive for the economy, and we are open to whatever the scale of that relationship might be. Unfortunately, we have not been able to take it forward, but, hopefully, we will be able to within the next few weeks.

Lord Butler of Brockwell: You may not be prejudging it, but do you have ambitions for it? If so, what are those ambitions?

David Lunn: We would go into it with an open mind and try to deliver a mutually beneficial relationship on the scale that made sense for it to be on. We are not prejudging it, and, as Phil and the Minister have said, we are taking forward plans in case that does not arrive. In the Budget, the Chancellor announced the £200 million in relation to the British Business Bank with exactly that in mind. We are hopeful, but we are not relying on it.

Robert Jenrick MP: To add to the point I tried to make earlier, the market is quite confident, as far as we can tell. There is more money going into infrastructure. I have set out some of the public expenditure, but it is also from the private side as well. Of the levers we have just described, such as the Treasury guarantee scheme, we have not detected a large number of projects that are failing to find funding that might otherwise have found it through the EIB. We have not had a significant uptake in inquiries for the guarantee scheme, for example, as a result of any diminution of funds available through the EIB.

Q81 **Lord Giddens:** You have mentioned infrastructure a lot so far, but can you clarify and elaborate on it, as it is clearly central to all your thinking, in the light of what you have said? How do you define infrastructure? It seems easy—cars, water, gas and so on—but it is not easy these days to see where the limits of infrastructure actually are. Perhaps you could comment on that. It is especially interesting in the light of some of the great changes transforming our societies and economies today, so we probably need a broader definition of infrastructure than existed traditionally. Would you like to comment more specifically on the remit of the UK guarantees scheme, and how far it can be extended to cover the range of issues that the EIB has covered?

The most important question for me is how you will handle forward thinking. We talked to the German state bank. It was really impressive, because it orients itself to what it calls mega-projects and tries to think ahead in a systematic way. How will the Government do that, while losing

access, if they do, to the EIB? What is the nature of your thinking?

You mentioned digital, and I was interested to hear you use the term digital age, which is what we are living in. It is a different age from the previous industrial age; we are in a new kind of world—the digital age—so I was very pleased that you said that. What are the limits, and how will you go about promoting it? If you limit digital to naked infrastructure that is just about digital connections, 5G and all that, it is not nearly enough to plan ahead for the ongoing sea of change that is transforming work and the economy. I would like to hear how you would cope with that. The EIB does a lot of forward thinking, and in other countries it meshes with public banks that complement that thinking.

Robert Jenrick MP: I do not know that we have a set definition of infrastructure, perhaps for all the reasons you described. It can mean many things. The EIB has invested in a very wide range of projects, as you know, such as education, housing and utilities—traditional infrastructure. The UK guarantees scheme has a definition of infrastructure in its statutory footing, which is quite a broad definition. The projects it has supported have been in a number of sectors. Even in my limited tenure at the Treasury, the projects seeking approval from the guarantees scheme have ranged from some of the obvious ones you alluded to—traditional bricks-and-mortar infrastructure—to projects to do with skills, such as universities seeking investment for buildings, whether for science and R&D or a hall of residence. It is quite broadly defined.

We have said that projects need to be of national significance, but, again, we have applied that generously, certainly in the scale of projects, which have ranged from one of £48 million to others of hundreds of millions of pounds. We have been approached by projects in the billions of pounds. There is quite a broad range of projects both in quantum of finance and in the types of project for which people look for support.

The broader question, as you rightly say, is that we as a country need to turn to the digital age and try to embed that in our thinking in absolutely everything we do, whether it is in how the Government operate, the education system or infrastructure. Infrastructure is one of the things the Chancellor is most interested and engaged in, and we do not just think about roads, potholes and railways, important though all those things are to the general public. We are very engaged in how we can make our broader infrastructure fit for the technological revolution, which, as you describe, is upending industries and transforming the world of work.

We are doing that in a number of different ways. We are investing in what you described as the most obvious forms of digital infrastructure. I do not want to take too much of your time, but there is the superfast broadband programme, and we are now turning our attention to full fibre and investing in 5G. We are looking at how we can prepare the more traditional forms of infrastructure for the technological revolution—for example, with autonomous vehicles, electric cars and embedding data. In the Budget, for example, we announced investment in a new centre in Coventry for collecting data through vehicles, which might help to inform

future decisions on how we pay for roads, or enable autonomous vehicles to be on the roads.

In the skills area, we are trying to take a number of steps, with the apprenticeship programme and the T-levels programme, the first of which will be piloted in December 2020, in digital and engineering in a number of parts of the country, particularly areas such as the Midlands and the north, where there will be quite a lot of need for those jobs. At the Treasury, we are very engaged in the national retraining programme, which is looking at lifelong learning and how we can prepare people in the workforce, perhaps in their 30s and 40s, who will face dislocation as a result of automation and new technology, to move from one occupation that may be at risk to the occupations of the future. It is something we are very heavily engaged in.

How to put a framework around that so that we do it in an intelligent and logical way is a challenge for the Government and requires government departments to work together. There is a role for the Treasury in doing that, as the department taking long-term decisions on investment across government and trying to push all parts of government to think about technology, whether it is the health service, transport, or other areas. Of course, it is linked to the industrial strategy as well, which should be the way we bring together and answer those challenges coherently, ensuring that the investments we make across government fit together into a pattern that prepares us for the future.

Lord Giddens: Can I press you a bit on finance? How would you co-ordinate finance for that ambitious system of thinking? The country actually needs it; I agree with that. You might lose quite a lot of funding from the EIB, and access to that could affect other lending strategies.

Robert Jenrick MP: The industrial strategy has led to funding in each Budget since then, against the priorities identified as a result of that significant piece of work, through the grand challenges, such as the future of mobility, which plays into infrastructure, and in other areas. We are looking to support particular growth industries, some of which I have just described, such as electric vehicle charging points, digital and the rollout of full fibre. At every fiscal event, the Treasury returns to those consistently, to look at the next steps for rolling out the infrastructure required and the appropriate role for government, asking the industry and trying to understand where the market failures are. In some cases, we learn that we have done enough, and the market is there and can support it; in other cases, there is a continued role for the Government.

Philip Duffy: As we get into more modern infrastructure, we find that some of the hard boundaries between different sectors start to melt away. If you have an electric vehicle, the battery could become part of the energy grid in future. If you want automated vehicles, you require 5G connectivity that is very accurate on the kerbside. One of the questions we have to resolve is how to help our regulators, which have a very good track record of getting investment from the private sector, to work across

those boundaries and regulate for innovation, and think through those things. We are using the NIC's work to help with that.

I draw attention to the fact that the Treasury has published a paper on the economics of data and data rights. We are discussing that internationally at the minute to think a bit about whether what we have done in banking to give people rights over their data now needs to be applied to a much wider range of different infrastructures. NIC has written on open data for infrastructure and how you manage that. The data could become of enormous value to improving the performance of infrastructure. We are thinking about that quite a lot and using the NIC very much as our professional advisers on some of those questions.

Lord Giddens: You keep mentioning electric vehicles, which is fine. We do not know what will happen with them, or with autonomous cars; we do not know whether we will ever solve the legal issues around responsibility, so those are unknowns. The important thing is that the economy is becoming intangible and is based on things you cannot see or touch; Jonathan Haskel at King's College has written a book, which you might know, on the intangible economy.

How about the funding of higher education? The EIB gives a lot to British universities, and you have to fold all that into these changes somehow. Do you have a strategy for that? You mentioned education.

Robert Jenrick MP: I hope that it all comes together in our strategy for raising productivity across the economy, investing both in the physical infrastructure and in skills, using the tax system intelligently to encourage the right investments and encouraging our great universities, as you rightly say, to play an active role in innovating, and enabling that innovation to be commercialised and flow into the wider economy. That takes shape in the industrial strategy, and in each of the Budgets of recent years we have put significantly higher levels into R&D, science and technology. In the last Budget, we made investments in fusion technology and quantum computing and in research into new plastics to help the environment. There are many areas of interest, which we hope will set us up for the future.

Lord Giddens: Would you be able to replace the capital funding that universities have from the EIB?

Philip Duffy: It is not really a matter of replacing it; it is a matter of asking whether those universities can raise the capital they need. From the Government's point of view, the question is the level of capital, investment and research.

Lord Giddens: Would they have to do that on the markets?

The Chairman: They do already. I think a university was included in your guarantees scheme. On that subject, Mr Jenrick, you told us earlier that the UK guarantees scheme has given guarantees to the tune of about £1.8 billion.

Robert Jenrick MP: Yes, I believe so.

The Chairman: Is that since 2012? On the face of it, that seems a remarkably low figure, particularly compared with the EIB. Is there any explanation for that?

Robert Jenrick MP: I am not sure what the explanation would be, really. Perhaps it suggests that businesses can find—

The Chairman: Capital elsewhere.

Robert Jenrick MP: Yes, for all the reasons I have just described. We benefit from robust capital markets, and there are other institutions, possibly the EIB. Our door is open.

The Chairman: And you expect that to go up, once EIB funding is—

Robert Jenrick MP: There is capacity for further applications. Certainly in my role as a Minister—I think it is the same for all our officials—when people come to us with projects, as they frequently do, through Members of Parliament, businesses or local authorities, we direct them to the scheme and encourage them to facilitate the process. There is significant spare capacity for the right projects.

Q82 **Lord Cavendish of Furness:** A number of witnesses have told us that, supposing the UK loses access to the EIB after Brexit, the Government should consider establishing a new infrastructure financing institution, and we are looking for views on that. The National Infrastructure Commission has recommended consulting on the establishment of a national infrastructure financing institution by spring 2019, as you know. I would like your general view on that, and to know what actions you have taken on that recommendation. Do you intend to launch a consultation?

Robert Jenrick MP: We heard from the NIC, as you have. Partly as a result, the Chancellor announced in the Budget that we would do a review of infrastructure investment in the UK to ensure that, as we leave the European Union, good projects continue to get the finance they require. It will be launched either at the end of this year or the beginning of next year, and we hope to bring it to a conclusion next year, along with the spending review.

We are doing the first national infrastructure strategy next year. The NIC produced its infrastructure assessment, the NIA, which was a significant document, and we responded to that in an interim way at the Budget. We want to respond more fully, so we will respond next year as part of the spending review and, I hope, set out clearly our vision for infrastructure in the types of projects we are investing in across the country, some of the challenges that we have just been discussing around how we look at digital infrastructure and the financing of infrastructure. We will have two opportunities next year to set out our thinking in that regard.

Lord Cavendish of Furness: How long would it take for a new

institution of similar size to the EIB to become effective?

Robert Jenrick MP: Clearly, it would take some time, and one of the arguments against creating a new stand-alone institution may be that such institutions take time to develop capacity, and to mature and gain the track record of one as long-standing as the EIB. Clearly, it would take a couple of years to establish it and then many years to build up the reputation. That may be an argument, which we will weigh up with others, that it would be better to proceed as we are currently, which is to have a multifaceted approach, with the British Business Bank—now maturing, and its reputation growing in the market—and other interventions such as the guarantees scheme, and specific, bespoke interventions of the kind we have been discussing, linked to the industrial strategy or other national priorities, whether for renewables or new technologies. I appreciate that that does not have the simplicity of bringing it all together in a single one-stop shop, which may be an argument to do so, but the review we are conducting will look at both options.

Q83 Lord Cavendish of Furness: Might you consider changing the mandate or activities of the Infrastructure and Projects Authority? Could it be managed by an institution outside the Treasury to provide it with political independence and provide confidence for private investors?

Philip Duffy: That is one of the questions we will look at. The IPA is doing a very good job advising Ministers on the delivery of projects. It provides advice on a whole range of agendas, from High Speed 2 right through to some of the Brexit IT projects. It has that very important role, which is quite different in nature from what we are talking about here, but it is also making a success of some of its operational financing work. It administers the Charging Infrastructure Investment Fund, the Digital Infrastructure Fund and the UK guarantees scheme, and is developing quite a strong reputation.

As regards the guarantees scheme, a number of project promoters often talk to the IPA about receiving a guarantee. Once they have passed due diligence, they find that they can get money commercially without having to use the guarantee. Just as with the EIB, there is beginning to be a halo effect around those questions, but, clearly, we will consider all the options. The UK Guarantees Scheme currently provides a high level of independence in credit scoring for guarantee schemes, before they come to the Treasury, so there is already a bit of independence. It is not the case that it is working wholly under the Treasury's instructions.

The Chairman: We heard from witnesses about the extent of expertise in the EIB, and due diligence. Do you believe that you can replicate that in the bespoke approach you have spoken about, Minister—the multifaceted approach, with BBB, UKGS, bespoke interventions as you find them and so on? That sounds great, but what seems to me an issue is that, if you have an institution that over a prolonged period builds up a huge level of expertise across different sectors, the halo effect to which Mr Duffy alluded is there for the other investors to see, who want to

crowd in. As far as they are concerned, they can accept that it has been looked at carefully, and it reduces the element of risk that they foresee. Are you confident that you could do that in a multifaceted approach?

Robert Jenrick MP: That is something we will have to look at in the review. You are absolutely right that the EIB has that long-standing track record. As I said in answer to the previous question, it would not be something that a new institution would gain overnight; if we were to invest a significant amount of taxpayers' money in creating a new institution, with all that goes with that, it would not overnight have that reputation. It might take many years to develop one commensurate with that of the EIB.

Having said that, I feel that the number of people who come to us for the UK guarantees scheme, for example, enjoy having the stamp of approval that comes from having been through the IPA and the Treasury. That is clearly of value when seeking investment elsewhere in the market. Within government, we are investing in more expertise in areas such as technology; in the Treasury and in the Department for Digital, Culture, Media and Sport, there is significantly more capacity today than there was a few years ago. You raise an important question that will need to be considered.

The Chairman: You have raised the issue of money. You are getting £3.5 billion back. Where is that going? You talked about investing a significant amount of taxpayers' money, but that is taxpayers' money coming back, which could be used, for example, to capitalise a new institution.

Robert Jenrick MP: I agree. In my previous answer, I was referring to the costs of creating an institution. There is one question about putting £3.5 billion, or a similar sum of capital, available for finance, and there is another about whether it is a necessary investment to spend tens of millions of pounds potentially creating a new institution to deliver that.

Lord Desai: What about the EIF? We have talked about the EIB, but will we lose access to the EIF as well? There is some commitment in the Conservative Party manifesto to repatriating our investment in the EIF. Is there any chance of getting our hands on the money?

Robert Jenrick MP: Yes, we hope so, depending on the relationship we negotiate. It will not be such a large sum of money, but we will increase the amount available for venture capital and small business investment. In the Budget, the Chancellor announced that, if we are unable to have the relationship we would like by the time of exit date, we will put an extra £200 million into the British Business Bank, for exactly the kinds of investments that the EIF would have made. Correct me if I am wrong, Phil, but I believe that is a larger sum than we will be able to repatriate from the EIF. We are making the necessary preparations.

Philip Duffy: The EIF works very internationally and tends to invest in funds that have a pan-Europe focus. It puts geographical restrictions on

its investments; a proportion has to go into an EU member state, which limits some of those areas, but I can well imagine in the future relationship continuing a partnership relationship with the EIF. It currently has a range of relationships with Scottish Enterprise and the Government of Israel, and a wide range of different partnerships.

A relationship should be possible, but, as the Minister says, the lending capacity we have now in the BBB for the coming year, which is about £900 million, actually exceeds the combined investment of the EIB and EIF over recent years. From a financial point of view we are in quite good shape, notwithstanding the excellence of the investment managers in the EIF. That is a real issue, as the BBB told you; building up capacity to do that kind of investment takes time.

Lord Desai: Because we are coming out of the EU, we are not a third country like other third countries, and we will not get the international investments from the EIF afterwards. Is that your feeling? We do not know, of course.

Robert Jenrick MP: That is to be determined in the negotiations. We have made it clear on numerous occasions that we would like to have an ongoing relationship with the EIB, and, through it, with the EIF, but we will have to see how the negotiations continue. As I said earlier, we are not sitting on our hands in the meantime. We have beefed up the British Business Bank and consistently put more resources into it. Through patient capital, we have given a great deal of thought to the future of the area, and how we can ensure that high-growth businesses, particularly long-term investments, get the capital they require. Part of that is around putting public capital into institutions such as the British Business Bank, but other means are available to us.

We are ensuring that the very competitive and attractive tax incentives we have in the UK, such as SEIS and EIS, are fit for the future. In the last Budget, we announced changes so that they were refocused somewhat on higher-growth businesses and away from capital preservation schemes, and the early feedback seems to be that that is succeeding. We are also trying to ensure that other sources of private capital are available. We have worked very intensely since the patient capital review with the pensions industry, for example, trying to ensure that more pension funds invest in long-term, higher-risk investments than they have been able or willing to do to date. That is an issue for the British economy, which you do not see in the US, for example. A pensions task force, handled by the Treasury, is coming to its conclusion, with a number of regulatory changes, which we hope will make it easier for pension trustees to invest in those sorts of projects. There are means and levers at our disposal other than simply putting more money into institutions.

Lord Vaux of Harrowden: I have what I hope is an easy question to clarify the numbers on that. Assuming that we come out of the EIF, how much do you expect to get back, and on what basis? Will it be similar paid-in capital, will we get our share of the profits, or is it included in the

£3.5 billion we talked about previously?

Robert Jenrick MP: My understanding is that it is around £70 million, so it is not such a material sum of money. We can offset it against the investments the Chancellor has already announced—for example, the £200 million that, as we said in the Budget, we would put in, if necessary, on exit day.

Lord Vaux of Harrowden: Does that £70 million include our share of the profits from the EIF this time, or not?

Robert Jenrick MP: I do not know the answer to that.

Lord Vaux of Harrowden: Presumably not. Given that there are commercial shareholders of the EIF, such as Barclays Bank, it is odd that we would not get a more commercial return on that investment.

The Chairman: Any thoughts on that?

Robert Jenrick MP: I can only restate what David and I said at the beginning: clearly, we have taken significant advice during the negotiation and tried to reach the best possible deal available to us within the legal constraints of how the institution is set up. I appreciate your frustration and that it is not as good an outcome as you would like.

Q84 **The Earl of Lindsay:** You said that the British Business Bank was maturing and that you had been beefing it up and had given it a lot of thought. What are your plans for the British Business Bank? Do you see changes in either its mandate or the scope of its activities?

Philip Duffy: We have already made a number of changes to its mandate. Early in this inquiry you heard from witnesses that, generally speaking, the BBB arrives at the end of a fundraising exercise; it does not act as a cornerstone, which is what the EIF has routinely done. That is changing under British patient capital; it will start being a cornerstone investor. Secondly, we have given it a much broader mandate to work regionally across every nation and region of the United Kingdom, and we announced at the Budget its new network of regional directors, because we are concerned about its depth of investment in early-stage venture capital outside London and the south-east. Thirdly, we have given it a mission to promote and encourage participation in venture capital and improve awareness of opportunities for funding.

The BBB is already changing quite a lot from where it was even a couple of years ago. It will take some time to bed in, clearly, but we see a very important role for the institution, particularly in the context of our departure from the European Union over the coming years.

The Earl of Lindsay: As a result of the spending review, do you plan to give it additional resources?

Robert Jenrick MP: The outcome of the spending review is to be determined next year, but we have given it significant extra resources

over the course of the last two years. In the 2017 Budget, we announced over £2 billion of additional investment, and another £200 million in this Budget, so we have consistently increased the capital available to the institution.

The Earl of Lindsay: I would hope that your ambition, in the wake of departing the EIB and the EIF, would be for it to be one of the conduits by which you can make good any shortfall or disruption from those departures. I would hope that you would be aiming to find additional finance for the BBB.

Robert Jenrick MP: We see it as one of the conduits, exactly as you describe, through which we can make up the shortfall. As Philip said in his earlier answer, there is actually more money available today through the BBB than would have been available through the EIF. Any extra capital is clearly important; the patient capital review concluded that there was a shortfall in our whole economy in terms of capital available to investors, so we would not want to see any loss of investment. We are putting in, and have already put in, resources that should be sufficient to make up any loss from the EIF.

The Earl of Lindsay: Will the Government commit to replacing European regional development funds through supporting British Business Bank regional funding and activities?

Robert Jenrick MP: We have announced that we are going to create the UK shared prosperity fund, which will be consulted on shortly. One of the questions will be about its role in financing businesses across the country and whether it should have a role in making money available to the British Business Bank or to other institutions, as the ERDFs have in the past. That is something that it should consider.

The Earl of Lindsay: Is there a case for progressing a greater focus on sectoral investment rather than regional investment through the British Business Bank?

Philip Duffy: Yes, I think there is. Linked to the industrial strategy, we are pursuing a number of avenues for directed investment and directed research. Within the BBB, we have recently launched the new national security investment vehicle, which is an attempt to provide more of an open innovation model to our national security agencies and make sure that innovation stays in the UK. We are open to thinking about some of those sectoral agendas.

Quite a lot of the grand challenge work that the Treasury is funding through the national productivity investment fund is about investing in particular goals, such as mobility and the ageing society, to try to draw together solutions to those long-term, cross-cutting problems. I think there will be a role for that in future.

The Earl of Lindsay: I have one more question on the regional dimension of the BBB. We took evidence from the KfW recently. When it

was established, its ownership was split between the Federal Republic and the states—80% federal and 20% owned by the states. The governance of the KfW reflects that shared ownership.

Given the devolved nature of UK politics, and the UK-wide remit of BBB and any other national funding or investment institution that you might create, is there a case for looking at a similar ownership and governance structure? Does the KfW value that aspect, that attribute, that it has?

Robert Jenrick MP: It may be something we should consider as part of the review. In the consultation on the shared prosperity fund, one of the central questions will be whether it should be a UK-wide fund or whether elements should be governed separately in the devolved Administrations, and how funding and financing is disseminated through local enterprise partnerships or other mechanisms—the balance between the national and the local.

Particularly in that respect, in the shared prosperity funds, design will be an important question that we will need to decide over the course of the next year. The British Business Bank has played a role in a number of regional funds; there is a Midlands Engine one and a Northern Powerhouse fund particularly for SMEs. In most cases, they have been invested in by the EIB. If we believe those have been useful, there will be a question of how we can continue them in the future.

The Earl of Lindsay: I certainly understand the extent to which the British Business Bank has had a regional diversity and spread to its focus, but I was really thinking about governance and possibly ownership, and the integrating nature that will bring across the United Kingdom. It was not the span so much as the ownership and governance that I was inquiring about.

Philip Duffy: The situation we face is very different constitutionally from that in Germany. We are not a federal state. There is a significant level of cross-working and shared competence between the devolved Administrations and the BBB, and, in fact, UKRI, which is also a key player in innovation in many devolved areas.

It is hard to see how it would work in the way you are describing, but we would want to see the BBB making strong partnerships with its devolved counterparts. It has a good relationship with Scottish Enterprise and the Scottish Investment Bank, and you can see that being replicated across the UK. There is also plenty of scope for it, as you know, to create joint ventures across its portfolios. It is a pretty flexible structure currently, and we can accommodate a range of voices and actors in that system. The main thing for us in the Treasury is to make sure that it has a clear mandate, and we want to see it investing in businesses in Scotland, Wales and Northern Ireland as well as in London and the south-east.

The Chairman: You are also keeping an eye on developments with the Scottish infrastructure bank that has been announced.

Philip Duffy: Yes.

The Chairman: It ties in with that.

Q85 **Lord Butler of Brockwell:** I would like to follow up the reference to the comparison with Germany. We have taken evidence from the KfW, which was very impressive. Can I preface this by asking a more general question? Exchequer Secretary, you have talked about the aim of the Government to increase state investment. Does that create a problem because of the additions to net public sector debt in the UK that it will involve?

Robert Jenrick MP: I have read your discussions of that in the minutes of previous hearings. We are committed to meeting our fiscal rules, and in this Budget and the last one the Chancellor has been able to sustain levels of investment in economic infrastructure in the way I have described, while meeting those.

If your question is whether you think we should change the rules to make them akin to those in Germany, I am not so sure. We have an arrangement in this country that is long-standing. Germany, of course, has a different history. Both of us are products of our respective histories. The UK's public sector net debt rules are well regarded internationally. The IMF and other institutions believe that they are very transparent, and that is a good thing. Whether changing accounting rules would enable us to invest significantly more in economic infrastructure, I rather doubt; the most transparent arrangements are probably the best ones.

At this Budget, we have just unwound—or taken the first steps to unwind—PFI by announcing that we are retiring the PF2 model. It seems to me that finding accounting tricks to enable us to invest more in infrastructure but which do not fundamentally change the amount of debt we are taking on as a country is not the way forward.

Lord Butler of Brockwell: I certainly would not argue that changing the definitions has any economic effect, but we can see that it can have a political effect because of the Government's financing rules. What I am asking is whether you feel that they inhibit you in any way.

Robert Jenrick MP: I will let Phil answer in a moment, but, in this Budget and the last, we have managed significantly to increase the amount of public investment in infrastructure. We have not found that that has been inhibited by the way we define public sector net debt in this country. The political question is whether you can persuade the public that it is as important, if not more important, to invest for the long term in infrastructure in the future of the country as in short-term consumption and all the things that people care about. It is not easy to make that case, because, inevitably, demands for short-term investment in welfare, the health service, education and policing are always there, and can often be more potent than deciding to make very long-term investments in digital infrastructure, the roads and so on.

The case we have tried to make over the course of the last two years is that it is the hallmark of a mature country that we take those long-term decisions and that we want to increase the amount of money we devote to long-term infrastructure rather than short-term consumption. If you look internationally at the countries that have done that, whether it is Singapore or others, they are the countries that in the end succeed and create sustainable growth in living standards.

Q86 Lord Butler of Brockwell: To pursue the comparison with the KfW, its financing institutions are allowed to raise capital on the private markets, and there seem to be some advantages in that. Have you considered whether the UK financing institutions should be not entirely funded by grants or ownership of the Treasury, but should have access to the private capital markets?

Philip Duffy: The KfW covers a much wider range of functions than the EIB. It also does a lot of work on things such as student finance. It will be a different classification position against the German fiscal rules, depending on which line of business we are discussing.

Lord Butler of Brockwell: Why do the things that it finances make a difference to the way it is classified?

Philip Duffy: You may be following the current debate that Eurostat is leading about student loans, for example, which is an area of great interest to it, and whether they should be on- or off-balance sheet. There is no time for that conversation at this point, but it is a good example. Eurostat and the ONS would look at the level of control a government authority had over the lending before they decided whether it was on or off-balance sheet, so the nature of what you are lending makes a difference.

The question my fiscal colleagues would raise about whether a UK institution should be able to borrow on the private market would be: is that cheaper or more cost-effective for the public than using the gilt market? The gilt market is deep; it is tradable in a way that is not the case for project bonds, and may not be the case for a smaller lender. The KfW is a very large lender and has a very significant balance sheet, given the length of its history. There are some quite fundamental challenges before we move away from that.

Could I make another point about the question of the balance sheet? For many years, the UK Government's main answer to that is to move utilities into the private sector with a regulator, and that has enabled them to borrow against their infrastructure needs in a regulated way that is off-balance sheet. That remains a very important answer to that particular predicament.

Lord Butler of Brockwell: In Germany, as I understand it, the KfW guarantees enable institutions to borrow more cheaply in the private sector. Would it not be an advantage if you could combine the two and get cheaper financing?

Philip Duffy: It could borrow more cheaply than a commercial bank, but it could not borrow more cheaply than the German state. That will be the question you have to decide.

Lord Butler of Brockwell: There is also the advantage that it enables them to escape some of the rigours of the state financing rules of the EU.

Philip Duffy: That is a different question. It gets us into state aid rather than financing.

Lord Butler of Brockwell: Exactly, but it is another aspect.

Philip Duffy: What the Government have done, particularly in their recent announcements on PF2, is to make clear that we have a low appetite for manipulating policy around balance sheet outcomes. We have let only six PF2s under this Government, and five of them have ended up being on-balance sheet. Generally speaking, with the ONS and Eurostat now, it is very difficult to get projects off balance sheet. You have to surrender a great deal of control to do that, and we do not want to be twisting policy around that particular divide. We want a clean policy, where the value for money is cleanly assessed. That is one of the reasons why the changes on PF2 have been quite heartfelt from the Chancellor.

The Chairman: Can I pick up one or two points in your response, Mr Duffy? In the withdrawal agreement, or in the future partnership, it appears that we may well be subject to state aid rules from the EU, so Lord Butler's point is quite critical. When the European Commission gave its authorisation to the British Business Bank, it set a limit of £6 billion on the amount of funding it could receive on a non-commercial basis. Compared with the KfW, as Lord Butler was doing, £6 billion was a dramatic reduction when it came to a UK institution. We understood from our evidence-taking last week that the BBB's authorisation from the EU will end in 2019. Depending on what happens to it, and depending on what we agree, it may well have to go back. It is actually fairly critical that we are falling under state aid rules in a different manner from other countries. The Committee would like to hear why that is the case.

David Lunn: I can talk about the future.

Philip Duffy: The KfW is doing a completely different job at a different scale from the BBB. The question whether £6 billion is the right or wrong number relates to what it asked for, for what purposes and against what range of activities. It is not, for example, doing the complete range of student loan funding; it is not involved in housing. The question of the right level for state aid authorisation is something we have to look at on the facts of what the BBB wants to do.

David will want to talk about the negotiations, which are at a key moment this week. All I would say on state aid is that the UK Government remain a strong supporter of state aid control. We do not want public authorities favouring a particular company over another. We want a level playing field for business across the piece. Some of the

desire to be bound by state aid may come from us as much as it comes from our interlocutors in the negotiations. David may want to comment on where we are in the negotiations.

David Lunn: The only point to add is that we would see that very much as an issue for the future framework negotiations. In the negotiation of the future partnership, absolutely, you would expect state aid to be an important part of that, but it is not a negotiation that has started yet, so it is not something we can comment on in detail.

The Chairman: Does the Committee have further questions?

Q87 **Lord Butler of Brockwell:** I have a further question for Mr Lunn. You are our representative on the board of directors of the EIB. I cannot understand why you cannot tell us a little more about what the EIB has been thinking about with regard to the future relationship.

The Chairman: Mr Hoyer gave an interview to the *Financial Times*, which is in the public domain, that he wants a very close relationship.

David Lunn: He absolutely does, and he has said that to us. That is clear. The issue is that the negotiation about the future relationship would need to form part of a wider negotiation, and I do not think it is the case that the EIB would be free to come to the arrangement that it might like and we might like. It would necessarily form part of that wider negotiation, and that is the context in which it should be seen.

Lord Butler of Brockwell: Have you been restricted in any way in your role as a director of the EIB since the result of the referendum?

David Lunn: No, but it is not in that context, as a board director, that we would have the negotiation about the future relationship. That is something that will necessarily happen between the UK state, the EIB and other EU institutions. I am not on the board having that negotiation. I am on the board approving projects that come to it in the normal way. In that context, I have had no restriction on my role.

The Chairman: Why do you think it has reduced the lending in the UK so significantly since June 2016?

David Lunn: I think the Article 50 notification was the key date rather than the referendum. What happened then was that the EIB changed the approach it took to UK loans, and new clauses were introduced in contracts with UK borrowers protecting their privileges and immunities after exit. That had an impact on the willingness of UK lenders to take out those loans, and on the general relationship with the EIB. There is no doubt that that lending has dropped off significantly, but we are leaving, and it is a consequence of that.

Robert Jenrick MP: When we became aware of that very significant reduction, it was not an acceptable outcome to us, and discussions were had by David and the Treasury with the organisation to express our concern and displeasure. A number of UK projects have been approved

since then—whether or not as a result of our intervention I cannot say. But we did intervene to prevent that, because it was not acceptable that there was such a large reduction in the number of UK projects while we were still a member.

The Chairman: Does anybody else want to ask anything briefly? We have a few minutes.

Q88 **Lord Giddens:** My question is very brief. It is a punting kind of question, because I found your evidence very interesting.

The Chairman: I am not sure the Minister wants to answer that.

Lord Giddens: You use the term “infrastructure” a lot. It seems to me that that is a bit of a metaphor for forward planning. There surely is some huge change going on in the economic psyche in this country looking ahead, a way down the line. We have been a country driven a lot by market philosophies over the past 20 years. Do you think we can make this transition, and will leaving the EU help us to make the transition or inhibit it?

Robert Jenrick MP: I hope we can. Technology is upending industries, changing the way Governments work and changing the skills that are required for young people in schools. These are huge challenges, much bigger than Brexit. The way that Governments react to those challenges will define our success or failure as a country in the future. I see positive signs.

Lord Giddens: What you are saying is that you cannot just leave it to market forces. You have to plan ahead and intrude on market forces.

Robert Jenrick MP: I believe, and I think the Chancellor does as well, that you cannot stand in the way of technological change. You have to embrace it, but you have to try to ensure that it works for as many people as possible in the country. Those are the changes that we are making, whether it is with T-levels or the national apprenticeship scheme. If you look at the high street, those are the changes that the Chancellor announced there. It is not about pretending that people will turn away from buying things online and return to the shops, but it is trying to help the high street to adapt and evolve to inevitable technological change, and that is our focus as a Government.

Lord Giddens: Going back to Lord Butler’s question, a lot more future planning will be needed rather than just thinking that everything will be driven by the market.

The Chairman: Thank you, Exchequer Secretary, for your time. The public evidence session is now ended, and the Committee will resume its private session.

Robert Jenrick MP: Thank you very much.