

**Monday 23 February 2009**

**LORD JONES OF BIRMINGHAM**

**Evidence heard in Public Questions 1 - 171**

**Oral Evidence**

**Taken before the Business & Enterprise Committee**

**on Monday 23 February 2009**

Members present: Peter Luff, in the Chair  
Mr Michael Clapham  
Mr Lindsay Hoyle  
Miss Julie Kirkbride  
Mr Mark Oaten

Witness: Lord Jones of Birmingham, a Member of the House of Lords, gave evidence.

Q1 Chairman: Lord Jones, welcome. I think this is your third appearance before the Committee.

Lord Jones of Birmingham: Two while at the CBI and one as a minister.

Q2 Chairman: In this Parliament, it is the third time. This is a slightly unusual session. We are beginning a new inquiry into exporting out of recession and to what extent exports can help lift the country out of recession. The prime questions we are going to ask today are in that area. As we talk about a recession, and you have been quite vocal recently on "the recession", we thought it would be helpful if we began by giving you the chance to say briefly something about what you have been saying publicly in the media recently, on Channel 4 and in other places, about the recession and possible cures, just to put your other remarks in other contexts.

Lord Jones of Birmingham: Thank you, Chairman, and thank you for asking me to come and contribute. I would just like to declare two interests: I am Corporate Ambassador for Jaguar (about a day a month) and I am the very recently appointed Chairman of the International Business Advisory Board of HSBC (about 20% of my time). I believe that 2009 is going to be probably the most difficult year economically for this country since the Second World War. I do not see much hope of any green shoots, subject to two things I will come back to, but I do believe that 2010 will be a year of a degree of bottoming out. I do not mean suddenly we are going to go off into sunlit uplands of boom or anything but I think we are going to see stabilisation and a slight growth in the economy. That might bring it from greater contraction to less contraction but it will be going in the right direction. I am not one of those who think this is a three-year recession. I did say there were two exceptions. I get around the country a lot and I am hearing from various house-builders that at the bottom end of the house-building market, social housing definitely - and that is good because it is a job creator in building, and I hope it also provides good homes for many people - but also in private sector housing, they are seeing greater activity. They are seeing more applications for mortgages, they are seeing more people interested. That is good to see and, with any luck, maybe my prediction will be a little too pessimistic and it could be happening a little earlier. I also think we have to get this completely into context, Chairman. I think there are a lot of people around the country who would like to cure us of what I will call "Robert Pestonitis". We are not, as a nation, going to hell in a handbasket. So much of this is about confidence. I remember doing Any Questions in the autumn, and on Any Answers the Saturday one guy, a picture framer from Harrogate, rang up Jonathan Dimbleby and said he was absolutely at the wrong end of discretionary spending - it was a complete luxury item that he was selling - and he said he was having an awful time, but he had had two good weeks, and one was the week that Barack Obama was elected and one was the week that Jonathan Ross and Russell Brand did all their silly stuff. You know why? Because the recession was not the first item on the news every day. For two weeks the spenders were told something else about news in the world and on that basis they went out and spent a bit. It is true to say, however, and I say this with great sensitivity to those who are out of work and those who are worried sick about their jobs and obviously those who are losing their homes - I do not belittle that for one minute - that the vast majority of this country is still in work and the vast majority of those who went into the recession owning their homes

still do. A lot of the issue is about confidence. It is also true to say that this is a global recession and there is a global contraction in the economy but no two countries are the same. China's economy is contracting but she is still going to deliver some 6%/7% growth in GDP this year. India's is contracting, but is still going to deliver 5% or 6% growth in GDP. In America, with all this effort that Obama and his colleagues are putting into this, there will be areas of America that are going to come out of this more quickly. Eastern Europe is not going to suffer as badly as others. So many aspects of British business are accented to the global trading aspect, that I will tell you that the only way this country is going to get out of this quickly is to trade its way out of it. If Britain was a company I would be saying, "The fundamentals are okay, you're not going to go bust, but this is going to be bloody." Now, how do you address it? You trade your way out of it. If this was a business, you would be trading your way out of it: head down, batten down the hatches, work hard and deliver the goods, and get the profit and start regenerating the business. That would be the same for this country. On that basis, we have to do everything we possibly can to get businesses trading globally, to still be an attractive place for inward investment - companies are still going to be looking for places to invest - and at the same time to ensure that we preserve - and I think this is probably the greatest danger medium term of this recession - the skills base for the nation. We need a vibrant financial services sector. Our economy does have the biggest or the second biggest financial services sector. It is pointless saying, "We don't want to do that any more." Of course we want to do it, and we want to be a global standard for doing it, but there are other sectors where we should be accentuating the positive. Think of retail: Asda's recent figures. Did they feature as number one in Robert Peston's article? No. And yet a fabulous set of figures. Look at Morrison's recruiting some 5,000 people. It is all good stuff in one mass sector. Do we read about it at the top of the news? No. If you look at manufacturing, we have some amazingly good global brands that really do stand up around the world, making quality stuff in a restructured and value-added and limited environment, and if we lose the skills base that keeps those people doing it in Britain then this Government should be blamed for that. That is the most damaging aspect of this recession. A good contrast would be to look at what the American Government is being asked to do in Detroit. There is a name for that in Britain: it is called British Leyland. That is exactly what we did. They are unstructured, they are unproductive, they are uneconomic, they are not really going to change just because government is going to give them money, and they are being driven solely by "Keep the people in work". If you look at British manufacturers - automotive, yes, but others: Rolls Royce, Aerospace, JCB, whatever - they have won markets around the world by having restructured and gone through the pain 10/20/30 years ago and they are now global champions. They cannot put people on to short time permanently, because, frankly, there is not the mechanism here, the government assistance, so they make loads of redundancies and then what happens is those people are lost to manufacturing for ever. You mentioned that I did Channel 4 Dispatches last week, Chairman, and there are skilled guys who used to be at JCB, applying to be bin men in Derby. I am sure there are some fabulous bin men in Derby, but they are not making a global, manufactured product, are they, and selling it around the world? When the sun comes up - and it will come up in the morning, the world will go round, this will pass - those companies, be they overseas investors investing here or British manufacturers, will say, "Well, where are my skilled people?" If they are all doing the bins in Derby, that stuff will be made in India, China, America, Germany, Eastern Europe and we will lose it forever. I cannot for the life of me understand why this Government will not follow the German example and ask for a three-way sacrifice: ask for the employer to, yes, only pay them for the two-days' output they will give but keep them on the payroll, keep their sickness and holiday and pensions and length of service going; have the employees say, "Look, the end result of this is you're going to get 80% of what you normally get, so you're going to have to pull your horns in"; and we, the taxpayer, make up the difference for a short period of time, basically to keep them around, so that (i) we have a skills base that we can be proud of, (ii) kids understand that manufacturing matters and is cherished by the nation, (iii) we do not have the social cost, the health cost, the destruction of communities costs that go with redundancies on a mass basis in a small place, and (iv) the nation is fit for manufacturing purpose exporting and trading our way out of it going forward. That, I think, is the aspect I do not see happening. And it is not to the exclusion of any other sector: there are many sectors, I think, that really can do well. I would perhaps close this aspect of it and say that there is another aspect of the economy where we have to pay some real serious attention at the moment, and that is our higher education sector as a business.

Lord Jones of Birmingham: They sell their services around the world, and the world is not paying for these students to come here, and therefore you have the issue of universities as well.

Q4 Chairman: You have thrown up an awful lot of ideas, and I do not want to spend too long on them because ----

Lord Jones of Birmingham: Well, the different sectors of the economy.

Q5 Chairman: -- we want to talk mainly about trading - as you have said, exporting out of recession.

Lord Jones of Birmingham: Sure.

Q6 Chairman: There are a number of things you have said that I am interested by, but, in a sense, Digby Jones's two sound bites are: protect the skills base and export out of recession.

Lord Jones of Birmingham: Spot on.

Q7 Chairman: That is it.

Lord Jones of Birmingham: Skills and trading. This country is made for globalisation, and if you skill your workforce and trade around the world, this nation has nothing to fear.

Chairman: Maybe it is the second I would want to concentrate on, but Mick Clapham would like to ask a question.

Q8 Mr Clapham: Lord Jones, before we get into other areas, the one thing about the economy you have said is that you perhaps see the sun beginning to rise again in 2010, so that it is maybe halfway through 2010 when we will see the benefit coming through. Given the other two aspects that you have referred to, trading our way out of it and making sure that the skills base is retained, you seem to be happy with the way in which the Government is tackling the situation. Would that be correct? Do you agree with the Government's approach?

Lord Jones of Birmingham: I think there have been one or two things they have done which I would not have done. I would not have reduced VAT. There are better ways to spend 12 billion quid than that. If people are worried about their jobs or they are out of work, they do not go and buy a big ticket item for which you do enjoy the benefit of a VAT reduction: a car, white goods, or whatever. I personally would not have done that. Secondly - and this is the biggest thing I would criticise them for - I think a lot of the initiatives are very worthy, I think they are quite well-thought through to be honest, and I think it is important that a government is not only seen to be doing something but is also doing it, but the problem is - and I see this everywhere, both in business and in society generally - that you could stop people in the street, someone from a small business through to an unemployed person who has just lost their house, and they would say, "I don't see it. I don't see it making a difference? Where is it? How is it?" The challenge for any democratically elected government of any colour at any time is: How do you get what you want to do through to making a difference in society? The delivery mechanisms are not doing the business. Now, how much of that is down to government having the initiatives and making ideas and putting our money into it and how much of it is not down to government but to society, where the mechanisms are not working? We now have a situation where you and I own nearly 70% of one bank and just under half of another bank, and yet those banks are not lending and putting money into the business economy in the way that they should be, and at some point somebody somewhere has to be big and brave and say, "You will." I think the community and the electorate want to see that. I, for one, think the Government was absolutely right to put the money in. None of us wanted to have to do it but I see why they did it. Why do they not make a difference?

Q9 Mr Clapham: To sum up, Chairman: Lord Jones, you are saying that the initiatives are good but it is the delivery mechanism.

Lord Jones of Birmingham: Yes.

Chairman: There is lots of what you have said that I would like to take you up on, but we must move on to other areas. Lindsay wants to come in.

Q10 Mr Hoyle: Interestingly, and quite rightly - I cannot disagree with what you have been saying: we are both passionate about British manufacturing and obviously recognise the housing problems in this country - if we are going to stimulate the economy, we have to get house-building going, which is the quickest way to get the wheels of manufacturing turning. Do you share my concern that we have local authorities sitting on money that does not belong to them? It is 106 money which has been given by developers that could be used for social housing, for building community centres, railway stations, whatever. In my own council we have £3.5 million for social housing and £9 million for other schemes which is 106 money that they are not spending. We believe there could be up to £4 billion sat in accounts around the country that local authorities are sat on, that they are not spending, and that would be a real drive. Do you agree with me that we should be bringing in and spending this money?

Lord Jones of Birmingham: And factually they are statutorily allowed to, are they not?

Q11 Mr Hoyle: Yes. They are meant to have spent it. They cannot spend it on anything else, so it is sat there.

Lord Jones of Birmingham: It is not the bit that they are not allowed to spend.

Q12 Mr Hoyle: No. But there is no point having interest.

Lord Jones of Birmingham: No, quite.

Q13 Mr Hoyle: I know some of them have put money in Iceland, but ...

Lord Jones of Birmingham: I completely agree with you. I think one of the ways out of this, linked in with trading our way out of it, is, also, investing our way out of it domestically, in the infrastructure. It is not just about creating employment as you build whatever you build, a school, an airport, a road or a house, but it is also that you are making your economy more productive in the medium to long term, because business enjoys better transport, better facilities, education and all of that. There is a double win-win here: it is a short-term job creator and it is a long-term productivity enhancer. But the local authorities have to have the leadership to do it. Of course one of the problems with this is that it is long term, is it not? A democratically elected local politician, or, indeed, a senior cabinet minister, probably is not going to see the benefit inside the time to the next election of whatever it is they are. Politicians are not known as people who are quite happy to take risk and then let someone else enjoy reward. It was Harry Truman who said "It's remarkable what you can achieve when you don't care who takes the credit," and at the moment we could do with more of that. But there is one aspect that we have to change - and local authorities could do a lot here, as could central government, and indeed, may I say, as could media and other vested interests, and environmentalists come to mind - and that is the planning regime of the nation.

Q14 Chairman: Wait a minute.

Lord Jones of Birmingham: It is no good you and I criticising local authorities and them turning round and saying, "But I've got a planning regime that will not ----"

Q15 Chairman: We need to move on to the main subject.

Lord Jones of Birmingham: And if the great crested newt, by the way, is so rare in this country, why is it in every building site in the land? That is what I want to know.

Q16 Mr Hoyle: There is some good news out there. If we take Optare, the bus builder, because of the bus passes and older people going on them they are taking lots of people on and the manufacturing of buses has taken off in the North West. The second is the hundreds of new apprentices that BAE Systems have taken on in the North West. That is second to none. So there is some good news within industry, and we are seeing growth in the North West.

Lord Jones of Birmingham: If BAE Systems are doing something big in the North West, I bet you there will be loads of small businesses that are doing better and exporting. In each of the regions in this country I can take you to small businesses doing fabulous stuff in the Gulf, in China, in India, and still doing it today and making money. Do I see that as the first item on the BBC? No way. I would love to take Robert Peston to some quality and successful businesses.

Chairman: Let us move on.

Q17 Mr Hoyle: I take it he is off your Christmas card list.

Lord Jones of Birmingham: No, he is not actually. I would send him one, but I would send him one made in Britain and say, "Come with me on a journey to success."

Q18 Mr Oaten: Do you blame him?

Lord Jones of Birmingham: Do I blame him a bit?

Q19 Mr Oaten: Yes.

Lord Jones of Birmingham: I do not blame him a lot, but I blame him a bit, yes. If you took a page of newsprint - and everything else is equal and you have one final bit to fill - and you had a good news story and a bad news story about this recession and everything else is equal, I reckon he and a lot of his colleagues would choose the bad news story. By the way, I do not think at the end of the day I blame them, on the basis that they will say, "Bad news sells. And bad news sells better than good news. Don't blame me," they will say, "blame the reader and the guy who buys the print." There is an element of truth in that and perhaps we have only ourselves to blame.

Q20 Chairman: The headline on your own story in The Daily Mail a week ago was: "Gordon Brown says that he will create 100,000 jobs. One in four will be shelf-stackers." It was a slightly unfair summary of your article but it was the way your article could easily be interpreted.

Lord Jones of Birmingham: I write an article about my findings around the country on where the jobs are being created. That is a true statistic but it is not the thrust of the article. But, you know, we live in the real world. It is no good bleating about it; we have to go and do something about it.

Q21 Chairman: It is a bit last chance saloon stuff, is it not? You said, "Unless the Government takes bold steps right now to preserve jobs, skills and factories, we could blight an entire generation with long-term unemployment."

Lord Jones of Birmingham: Yes.

Q22 Chairman: You think the stakes are quite high.

Lord Jones of Birmingham: I do. I do not know if you saw that programme a week today. There is a chap called Colin, he is 19 years old, and he has just been made redundant by Nissan up in the North East. He did everything that people like you and I would expect: school, training programme at eQuality, a long-term investing Japanese company, and he hits 19 and, rightly, for proper reasons, no blame on Nissan, they make him redundant. His father has been unemployed for 10 years. He comes from a family, as many of his friends' families will be, of long-term unemployment. Is it not better to say: Colin, you make a bit of a sacrifice; Nissan, you make a bit of a sacrifice; and you and I, Chairman, our taxes will make a bit of a sacrifice? Then, when the upturn comes and people are buying the quality stuff that Nissan make around the world, Colin's job is not only preserved, his skills are preserved, and the guy is not going to be what he is in danger of being, another statistic of long-term unemployment in the North East. Is that not a better investment of my money than, frankly, in six months time paying £2,500 to an employer to get him back into work when he should not have been going out in the first place?

Q23 Chairman: There is a policy precedent in the UK for it, I believe. This kind of policy has been followed in the past in this country.

Lord Jones of Birmingham: I think it was followed in the 1981 recession.

Q24 Chairman: Yes, it was.

Lord Jones of Birmingham: I was only a glint in my daddy's eye then, Chairman! No, I was not - I was a lawyer in Birmingham then.

Q25 Chairman: You were indeed. Let us move on to the main subject. You were a minister for 16 glorious months - which does not sound very long to some of us, but, equally, you and I know it is quite a long time for a minister in any department of state.

Lord Jones of Birmingham: 45 overseas visits in that time.

Q26 Chairman: Yes, I have a list of them at the back of my brief. You have expressed your views about the Civil Service to another select committee earlier on, but what difference do you think you make in those 16 months? What did you achieve?

Lord Jones of Birmingham: In no order of priority. An uplift in the morale of UKTI. I wanted them to strut their stuff a bit more around Whitehall, and to see themselves with a little bit more of the arrogance that the Foreign Office and the Treasury tend to do, because at the end of the day they are as important as any of them, because without the UKTIs of this world then it is more difficult for companies to create wealth. If they

do not create it, they do not pay tax. If they do not pay tax, you do not get schools and hospitals. It is not rocket science.

Q27 Chairman: So morale. Does it help to say: "I was amazed how many people, frankly, deserved the sack ..." Does it help to say that kind of thing in terms of people's morale?

Lord Jones of Birmingham: I actually did not say that.

Q28 Chairman: It is a direct quote.

Lord Jones of Birmingham: No, I actually did not say that. I know it is quoted. I actually said that I was amazed how many people "it was not possible to sack". And it is different. But can I just say that my remarks were not entirely tailored to UKTI.

Q29 Chairman: Ah! UKTI is exempt from this general critique.

Lord Jones of Birmingham: No, no. There would be people there who, in a perfect world, you would have moved on in a different way from the way they are moved on in the Civil Service. But the one thing was the lift in morale and to get them to understand that they mattered far more in government than they felt they did. Linked to that, it came as something of a surprise to the Department of Business & Enterprise when I announced that I wanted to go and put my office physically in the department that I was in charge of, because no other minister had done that before, they had all been up at the Department of Business. One civil servant said, "Why do you want to do that?" and I said, "Because if we are going to change the way they do this and we going to get the morale up, then the boss should be in amongst them with his sleeves rolled up." They said, "No, if you want them, they will come to you." That, to me, was not the way you lead and it was not the way you try to effect change.

Q30 Chairman: To be fair, you were a dedicated trade minister. Previous ministers had had other jobs.

Lord Jones of Birmingham: Certainly.

Q31 Chairman: You did not.

Lord Jones of Birmingham: Sure.

Q32 Chairman: You had the luxury of being just the minister.

Lord Jones of Birmingham: The Prime Minister asked me to do the job differently and he kept his word to me on the way that I did it and I kept my word to him in doing it.

Q33 Chairman: You have talked about morale, but you did say in another quote I have from your appearance before the Public Administration Committee, "... the job could be done with half as many".

Lord Jones of Birmingham: I did definitely say that.

Q34 Chairman: Was that about UKTI as well?

Lord Jones of Birmingham: I think if you change the system of government in the way that initiatives and policies are delivered, then it would be possible to deliver on policy with half as many. I picked half, but I am not saying half, it is just a term - but substantially fewer people.

Q35 Chairman: Are you saying that if we are to get this country exporting out of recession, you could do it with fewer people?

Lord Jones of Birmingham: Not if you had the current system. You would need to change the Foreign Office as well. You could not just do it on UKTI. The one thing I saw as a happy difference between when I started at the CBI in 2000 and when I was UKTI minister in 2007-08 was how more business attuned and wealth-creating attuned the Foreign Office had become, very much more in tune with promoting British goods, services, companies around the world. I thought that was fabulous to see, it was a happy thing to see. You asked me what else. Because of the nature of the way that we run our political system, (a), you had, as you say Chairman, my predecessors trying to do another job as well, and (b) they tend to be democratically elected and they tend to sit in the House of Commons and they have to be there. That is entirely

inconsistent with being able to be overseas banging the drum and promoting Britain - which is what I did - and it is extremely difficult to do both the job of a political career, wanting advancement, wanting to be in the beltway, wanting to be seen around doing the job in Westminster, and also being in some far-flung market for British business. The job was done differently by me in that respect, and I think it would be fair to say that the posts around the world and the businesses that I promoted thought that that job was done reasonably well. I do not say that to criticise my predecessors because they (a) had other responsibilities and (b) were having to be back to vote.

Q36 Chairman: This is an important point, because this Committee has expressed concern at this in the past. This is not an attack on the current Prime Minister by colleagues; it is a problem for all prime ministers. Presidents, like the President of France, find it easier to tour the world and fly the flag. The system makes that easier for them.

Lord Jones of Birmingham: I am glad you said this, because it could be levelled at any prime minister of this country. If you are up against Sarkozy, if you are up against Bush, as it was in my case - now it would be Obama, if you are up against Merkel - and these are quality countries with quality companies wanting the support of the boss of the country - it is easier for them to travel than it is a British prime minister. The system in this country militates against promoting the ability for this country to trade its way out of its current problems.

Q37 Chairman: So a high profile trade minister would help.

Lord Jones of Birmingham: Yes.

Q38 Chairman: When you went, you were not immediately replaced.

Lord Jones of Birmingham: No.

Q39 Chairman: Lord Mandelson first of all said he would do the job himself.

Lord Jones of Birmingham: Yes.

Q40 Chairman: And he has been to India, I think, on one successful trip this year, but now you have been replaced. Mervyn Davies is there.

Lord Jones of Birmingham: I am thrilled to bits. He comes with the credentials of having chaired one of only two banks - HSBC being the other - what a surprise that I have said that - that are more globally respected of the British banking system and that have more successfully weathered this crisis in a better way, and so he is coming with a degree of street cred. Secondly, he is a real live, business-engaged person. Thirdly, because he is in the Lords he is going to have more time to go and do the job. I think it was an inspired choice. I am thrilled to bits and he will have all the support in the world from me.

Q41 Chairman: Is your conclusion that the trade minister should always be in the Lords?

Lord Jones of Birmingham: When I said about the civil servants and "half" and everything else - of course it was taken out of context, but I said it and I will stand by it - it is if you have the current system. If you have the current system of policy delivery and if you have the current system of ministerial representation, then I do believe you need a minister for trade promotion - not trade policy, that is different, but trade promotion - who, frankly, can be spared from what you would call the normal duties in Westminster, to get out around the world and sell your nation. As we speak, that person is going to have more time if they are in the Lords. But if you had a different system, you might do two things: you might be able to do it differently and also have a different level of support.

Q42 Chairman: Changing the system implies a rather radical restructuring of our democratic process to achieve a very unusual object.

Lord Jones of Birmingham: Official.

Q43 Chairman: It could be done more simply. This Committee previously has recommended that the whips simply have an understanding that the trade minister will not be called back for important votes. It could be done very easily if the willingness was there to do it.

Lord Jones of Birmingham: You could have some form of electronic voting with ----

Q44 Chairman: No, do not go there. You surely are misunderstanding the process.

Lord Jones of Birmingham: I am so sorry.

Chairman: That is going well beyond.

Mr Hoyle: It is very hard when you are not a democrat.

Q45 Chairman: Yes. He is an autocrat, we know that.

Lord Jones of Birmingham: By the way, you say I am not a democrat. I am. The trouble is I am disenfranchised: I do not get a vote any more.

Q46 Mr Hoyle: Quite right too.

Lord Jones of Birmingham: I am not saying it is wrong. I am merely telling you ----

Q47 Chairman: He gets lots of votes in the House of Lords.

Lord Jones of Birmingham: Could I say one other thing, because you did level one point at me, Chairman, and I would like to deal with it. UKTI as currently constituted is doing a very, very good job. It is following its five-year plan. Its people have, I hope, got their tails up and realise ----

Q48 Chairman: Mick is going to ask you in more detail later ----

Lord Jones of Birmingham: But I would not want you for one minute to put the words in my mouth that I think half of them should be sacked. That is not what I said.

Q49 Chairman: I have one specific question on UKTI. You have said there are too many civil servants but you have said that UKTI provides stunning value for the taxpayer.

Lord Jones of Birmingham: I do.

Q50 Chairman: And you still believe it provides stunning value for the taxpayer.

Lord Jones of Birmingham: I do.

Q51 Mr Hoyle: So the answer is: sack half the Foreign Office and increase the number in UKTI.

Lord Jones of Birmingham: Or change the accent of what the Foreign Office do a little bit more. If I may say something else, it is not just the Foreign Office. Our higher education system can be sold around the world better, so why do we not have promotional sales people in the Department of Education? Our environmental engineering companies in the country are first class. They are doing some fabulous stuff in China and in India and in Latin America, making money for the country. It is enlightened self-interest. Why do we not have trade promotion people at the Department of Environment? Energy is another one. It should not just be put into a box called "Trade Promotion UK and a bit of Foreign Office, thank you very much". The whole ability for this nation to trade itself out of its current problems is something the entire government department, Civil Service, regions and countries in the UK should espouse and praise, not, "Oh, it's over there, we'll let those people do it. What are they called? UKTI. They can do it." It should be a common purpose of the Government.

Q52 Mr Hoyle: Fewer mandarins/more experts.

Lord Jones of Birmingham: Yes. Fewer mandarins/more experts, but more important than both of those, more people on the ground in the country doing the business.

Q53 Mr Clapham: Promoting trade and branding the UK is very important and the DTI reference tended to be a brand for the British trade. Do you feel that changing to that terrible acronym "DBERR" had a detrimental impact to the branding of UK business abroad?

Lord Jones of Birmingham: I do not think DTI was seen abroad in the same way as you and I would have seen it here, actually. I do not think that was the brand that was recognised. I think the brand UKTI was beginning to get recognised, but that was early as well. That is very new. That is only five/six years. I think the Foreign Office would be the brand overseas, and the companies themselves. There are some amazingly big companies that are associated with Britain. DTI was certainly seen at home. When the name was changed - I will put my hand up here - I was asked my opinion before it was announced, what did I think, and I wanted the word "business" in it and I wanted the word "enterprise" in it. I did not have the final say - nor should I, that should be for other people far more important than me - but I was pleased to see that the word "industry" went, because "industry", to me, conjures up ideas of dirty factory shifts and cobblestones and things that kids do not want to do - the old cliché of a teacher saying, "Work hard and you will end up in a place like this" and all that stuff. I think you and I would agree that our vision of manufacturing is that it is quality, clean, innovative. It is business. I am glad that industry went. I wish "trade" had been kept for all the reasons we are discussing. It would be wrong of me just to say that I thought BERR was completely wrong. The words "business" and "enterprise" I was very pleased to see.

Chairman: We will ask some questions about the structure in which you operate in BERR, because you are still playing a role for the Government now, and then move on to questions of UKTI.

Q54 Mr Oaten: You talk passionately about what you think needs to be done and you talk passionately and proudly about your period as a trade minister. Do you miss it? Do you regret not being in that post at the moment?

Lord Jones of Birmingham: No. I miss the people sometimes because they are first-class people with a wish to do the job. Interestingly, I miss the ability to stand up overseas - I am proud of my country - and sell it, but the business ambassadorial role, which we might discuss in a minute, gives me that opportunity. I do not miss thinking, when I say things, "I'm going to have Number 10's press office on the phone in about 30 seconds" when I sit down. I do not miss that.

Q55 Chairman: What were they asking you about, the press office at Number 10?

Lord Jones of Birmingham: Usually?

Q56 Chairman: Yes.

Lord Jones of Birmingham: Well, because I did not have a political career and I had no political ambition, it enabled me, of course, to do the job in a different way, positively. It also meant I spoke my mind a little bit more than most would, so that is an interesting time. I do not miss the red boxes on a Saturday morning, no. But I would miss it desperately if I did not still have the chance to bang the drum for the country.

Q57 Mr Oaten: You are doing that at the moment through two roles, as far as I can understand. I am a bit confused about them, but you have the National Economic Council.

Lord Jones of Birmingham: No, I have not.

Q58 Mr Oaten: You are not on the National Economic Council.

Lord Jones of Birmingham: No. Do you know, perhaps this could go on whatever record this is for ever. On the day when that reshuffle came about, October 4, the Prime Minister formed the National Economic Council. I think the Prime Minister chairs it, but the idea was that Lord Mandelson came in ----

Q59 Mr Oaten: It is a full Cabinet Committee in its own right.

Lord Jones of Birmingham: Sure. That was one thing, the National Economic Council. Then another thing was this group of 17 Business Ambassadors for UKTI.

Q60 Mr Oaten: Is this the Business Council?

Lord Jones of Birmingham: No.

Q61 Mr Oaten: Because you are on that as well, are you not?

Lord Jones of Birmingham: No.

Q62 Mr Oaten: You are not on the Business Council?

Lord Jones of Birmingham: No. All right, let us go back one. You had the Business Council which was created when the Prime Minister became Prime Minister.

Q63 Chairman: You were on it then. When it was created, you were on it.

Lord Jones of Birmingham: I was on it then, yes. My successor is on it. That is the Business Advisory Council. It meets in Number 10 - well, I do not know whether it does these days, but it did meet in Number 10 about every quarter, and it was a group of CEOs and chairmen from the private sector, with quite a few Cabinet ministers from different strands of government. And that may be going on, I do not know. You then had a National Economic Council created on the reshuffle in October. Lord Mandelson was obviously going to play a major part in it, and I think that was to advise the Government on the current economic problems. Thirdly, you had a group of I think 17, it might be 18, UK Business Ambassadors, not one a part of government, all of them from the private sector, mainly CEOs of major companies. The job there is, as many time a year as they can give - and I think you will find probably a couple of times a year each - when they are in an overseas visit, because they are all global traders, to give some time and some inspiration and energy to the UKTI initiative that is happening in that country. So it is not a group which meets in London or anything else; it is a group that does its disparate things around the world to promote this nation and its trade.

Q64 Mr Oaten: So are you freelancing a little bit there, or is there some sense of co-ordination?

Lord Jones of Birmingham: There is a guy called Jack Chartris who is a full-time employee in UKTI who was in charge of co-ordinating it and it reports in to Sir Andrew Cahn and through him to Lord Davies. That is the idea. But it does not meet as a group. It does its work out in the field of the world. When that all got put into a press release on the day that it all happened, on October 4, it came out that I was a UK Business Ambassador - which I became - on the National Economic Council - which I certainly am not, never was, do not intend to be and was not asked. I still get introduced sometimes in speeches and on radio and stuff as a "UK Business Ambassador on the National Economic Council" and I think, "I'm not, I'm not, I'm not". So if I have this chance to put that right, I am sure that everybody, from Number 10 to me, will be very pleased. On the work of the two, the Business Council and the National Economic Council, you will have to ask others than me. I do not know. The UK Business Ambassadors are doing quite a good job around the world.

Mr Oaten: Given your role that you are doing as an ambassador, I am surprised that you do not know a little bit more about what the Business Council is doing and whether in fact it has met or not. It seems to have quite a lot profile.

Q65 Chairman: There is the Business Council and the National Economic Council and it is quite confusing.

Lord Jones of Birmingham: Sure. The Business Council has been in place since Gordon Brown became Prime Minister. It met about every quarter and it had about four or five Cabinet ministers on it and then loads from the business community.

Q66 Mr Oaten: The Richard Bransons of this world, the Michael Rose.

Lord Jones of Birmingham: Tony Hayward from BP, Jean-Paul Garnier from GSK, that sort of person.

Q67 Mr Oaten: Are you aware of it doing anything in the last 12 months or so?

Lord Jones of Birmingham: I would not know since I left in October, because I do not know what has happened. It was meeting every quarter before then because I went to them. But that was very much business attuned. What does business need? It was chaired by Lord Davies, then Mervyn Davies. It was about what does business need from this government? What it is doing now, I truly do not know. The National Economic Council was a creation of Lord Mandelson's arrival in government and I have had no part with that whatsoever. But they are meeting committees, they are things that meet. Business Ambassadors never meet. Their job is to go and do it overseas. They are doing their job, frankly, if they are in an overseas market and they give 24 hours of their time over there for free - totally for free - and banging the drum for Britain in, presumably, a particular sector - because if you have an oil guy, he can talk about oil and that sort of stuff.

Q68 Chairman: The National Economic Council is a straightforward Cabinet Committee. It was spun as being something rather bigger than that when it was launched.

Lord Jones of Birmingham: I do not know.

Q69 Chairman: But it has no relation to the ambassadors at all.

Lord Jones of Birmingham: No relation to the ambassadors at all. I am not saying it is only government, I do not know who is on it, but it is certainly not the ambassadors.

Q70 Chairman: There are 17 ambassadors. Why 17? I know several of the ambassadors are bankers you have been so pejorative about. Is that the right number of ambassadors? Why 17?

Lord Jones of Birmingham: Why not 18 or 16 for sure, but you need credible mass because they are not all going to do the same number of visits, are they? I have already done one to the Gulf, I am doing one to Eastern Europe in a few weeks, I am doing one to India that I have got planned and one to the United States in the autumn - so I will be doing, what, four a year. If you are the global CEO of one of the biggest manufactures on earth, if you are Sir John Rose, I would not have thought you would be doing four a year when you have a big company to run, but you hopefully could do one. You need quite a few to do it.

Q71 Mr Oaten: How do you decide where you are going?

Lord Jones of Birmingham: It is a three-way process. A post will say to UKTI, "We would love a visit from Fred" - whoever Fred may be. Secondly UKTI will say, "We could do with some clout and presence in ..." as a market. Thirdly - and this is the bit that I think will be difficult to pull off but will be good - one of the ambassadors themselves would say, "I'm going in my ordinary course of business to such and such a place, do you want me to do anything while I am there?" Those three things together will maximise the effort. This is unpaid. These guys and girls do not get paid for this. You see, Chairman, there is something which I do believe in, and I would not have given everything up I do to do the job back in 2007 if I did not - the French do this well, the Japanese do this well, the Americans do this well, we have never done it before - and that is to take people from the private sector and get them to come in for a period of time to ... I will not say "to help the country", it sounds so jingoistic, but to do something for your country and then go back out again. That ability to do this we have never done. It is new and it is different. That is why I am thrilled to bits that Mervyn Davies took over from me because he comes from business and not from a political career.

Q72 Chairman: Are these British Business Ambassadors a very good idea or a moderately good idea?

Lord Jones of Birmingham: I think they are an excellent idea but the word "excellent" should be judged with the benefit of hindsight.

Q73 Chairman: Only three of them are manufacturers, as far as I can see, on your list, and you are only a solicitor!

Lord Jones of Birmingham: Actually I am still a solicitor. I do not think I can practice. I would not be let loose on the public.

Q74 Chairman: You have talked about the importance of higher education as an opportunity.

Lord Jones of Birmingham: Yes.

Q75 Chairman: Three of them are provosts or vice-chancellors of universities, so it is quite a high ratio.

Lord Jones of Birmingham: Good. That is good.

Q76 Chairman: You think that is good.

Lord Jones of Birmingham: Yes. We have to understand that the higher education in this country is second in the world to America and is one of our major overseas currency opportunities.

Q77 Chairman: Every inquiry this Committee does overseas normally comes to that conclusion as well.

Lord Jones of Birmingham: It is absolutely amazing.

Q78 Chairman: Is the balance right: only three manufacturers and three higher education? Is that the right balance?

Lord Jones of Birmingham: One of the problems ... Is that the right word? One of the issues would be that some of the quality manufacturers in this country are not what my mum would call British companies. I do not think personally that matters a damn, because as far as I am concerned, if they employ people in this country, they pay corporation tax in this country, they add to the public realm in this nation. I could not care, frankly, whether they are Indian or Japanese or American or German, but a lot of people would say that they should be "British" companies. If they have to play to that sentiment, then you will find a lot of CEOs and a lot of companies coming from overseas investors in manufacturing - and perhaps that is a reason that they did not appear in that list.

Q79 Chairman: What weight should this Committee attach to the role of Business Ambassadors in helping the country export out of recession? How important are they in the great scheme of things? Should we be encouraging them and calling for them to be expanded, made more important and given greater prominence, or should we just be noting them as a useful and modest contribution?

Lord Jones of Birmingham: With the necessary rider that you are of course talking about volunteers who at a stroke could stop it - and that is a very important point, because they are under no duty or obligation to do it and therefore we have to respect that they are doing this for noble reasons - I think that this is a role where this Committee could make some useful contribution in terms of inquiring as to who is doing what, inquiring as to what did they do and where did they find problems in doing it, and where was it a bit of a success. If it was made clear that you would be asking those questions one year out, say, I think people in the year would apply themselves to the task a little more.

Q80 Chairman: You have just written the recommendation for our report, I think.

Lord Jones of Birmingham: But I repeat: they are volunteers, and they are busy, busy men and women.

Q81 Chairman: There is one other volunteer around we have not mentioned, the Duke of York, who does a lot of work.

Lord Jones of Birmingham: Yes.

Q82 Chairman: How did you assess the contribution that he made?

Lord Jones of Birmingham: I should declare an interest, which is that I am ----

Q83 Mr Hoyle: His caddy.

Lord Jones of Birmingham: His caddy! Do you know, I have never picked up a golf club.

Q84 Mr Hoyle: Well, you would not - you carry them.

Lord Jones of Birmingham: Either as a player or as a caddy. That is one sport I do not do. I am continuing to be an adviser to him, unpaid, but nevertheless you should note my reply in the light of that as being an interest that I have. I did it before I was in government and I am doing it again.

Q85 Chairman: Let us have the answer to the question, please.

Lord Jones of Birmingham: The upside of his job as special representative to UKTI is in a particular market. He takes a brief extremely well and when he is on that job he works incredibly hard. Regardless of what you will ever read in a newspaper, those two facts are true. Get the right market, with the right people for him to talk to, he makes a substantial difference actually to particular companies' ability to sell into that market and invest in that market. If you treat it as, "Well, he's just a member of the Royal Family and we will send him anywhere and really he is going to do the Royal Family stuff and not the business accentuated stuff," do not be surprised if he does not come back with the result. When it has been properly done and properly directed - and one of the other things you asked me was how I made a difference, and UKTI while I was there did accentuate what he did and focus it and put it into the right place - it works. If you just say, "Go and do your Royal Family bit over there, sir," do not be surprised if it is not business focused.

Q86 Chairman: I am quite impressed with the work he does - very impressed, actually - but I do sense sometimes some jealousy in the Civil Service and the sense that they do not have the control they would like, by definition, with a member of the Royal Family.

Lord Jones of Birmingham: You could say that, Chairman; I could not possibly comment.

Chairman: Thank you very much.

Q87 Mr Hoyle: As you give advice to the Duke of York, I wonder if you could advise him that the next time he buys his daughter a car, he buys British and not BMW.

Chairman: No, no, no.

Q88 Mr Hoyle: That was stolen.

Chairman: We are in very dangerous territory.

Q89 Mr Hoyle: Because you know about using British cars.

Lord Jones of Birmingham: As you may imagine from me, Mr Hoyle, point noted.

Mr Hoyle: Thank you.

Chairman: Well done.

Mr Hoyle: What is wrong with that?

Chairman: Very good. We do not want to criticise the Royal Family.

Q90 Mr Hoyle: It was not a criticism; it was advice.

Lord Jones of Birmingham: By the way BMW do have a fabulous engine plant in Birmingham.

Mr Hoyle: Yes, but this one got stolen a bit too easily.

Q91 Mr Clapham: Looking at UKTI and hearing what you have said about UKTI, bearing in mind that the strategy Prosperity in a Changing World was set back in 2006, before the economic change, identifying six themes relating to five particular sectors, given that there has been a dramatic economic change is there a need, do you feel, for UKTI to redefine the strategy?

Lord Jones of Birmingham: I would not, because it has been such a success, having been bought into. I should have no credit for this at all, this is Sir Andrew Cahn pure and simple. He made a success of getting them to buy into it. When I arrived, it had already been in place a year and it was amazing to see how they bought into it. The last thing you do if you are trying to lead something in difficult times is chop and change. You really do lead something by keeping your head down, keeping your troops with you, going in the direction they have been told to go, and you go over the top first with them. On that basis, I would not change it at all. If this Government can find enough of your money and my money to do all the stuff it is doing in the financial sector at the moment, I would like to think it could find more money to beef up, to put more power behind - in overseas markets, not at home, not here, but in overseas markets - to put more people behind the whole drive of the five-year strategy, so that those sectors will come out of this better than we went in. That means trade our way out of it. Borrowing is deferred taxation. Let no one be in any doubt about what borrowing is. Government borrowing has to be repaid out of your and my money. I would like to see some of that going to putting more into UKTI at this time, not less. It is a bit like a business: in times of recession, you put more effort into your sales team, you put more effort into your marketing team, because without your sales you go bust. I would like to see that, so I would not change the strategy, I would put more into it. They have done this joint venture, for want of a better word, with HSBC as UKTI. It had nothing to do with me. I was told about it the day I was going to join, so it is nothing to do with me at all. That is about getting smaller companies around the country educated and trained in the way of international trade, holding seminars and teach-ins around Britain to say, "This is how you trade internationally, these are the markets, this is what you do, this is what you would watch for" and then helping UKTI and the world in saying, "We will support trade missions, we will make sure you have some qualified expert people with you," to get the country trading its way out of it. HSBC is doing that with UKTI. I do not know this, but I would not be

surprised if over a period of time UKTI will do that with other things in other sectors and get that moving. The idea of five or six sectors being the fulcrum of how the nation goes forward, I think is a very good idea.

Q92 Mr Clapham: Do you feel at this point in time there is a need perhaps to refocus or certainly to bring more investment to research and development so that, given the change that is likely to come next year, we are going to be in a position to exploit the export market?

Lord Jones of Birmingham: Yes, is the short answer. I am pleased you have raised it because, at times of less money about and more worries about business, the two vulnerabilities are training and R&D. They are the two that finance directors chop first. If people think training is expensive, try ignorance. In terms of R&D, if we have restructured our economy over the last 20 years into value-added and innovation and away from making things which sell only on price, commodities - which we have done - and if as a nation we are attracted to inward investment at the value-added end of what we do, if you do not constantly research and develop your next products you are dead, you are finished. I think as a nation we have always put enough into research. Blue sky research universities and businesses is very good in this country. You will not read that in a newspaper, because it is good news. Why would you? In terms of development, the D bit of R&D, I do not think we are good enough as a country. We tend to research it here and develop it in other markets, and the sad thing is that you manufacture where you develop, you do not manufacture where you research. If you get the trend of research-development-manufacture, manufacture and development blends together and we are not so good at that. So more effort, more stimulus - maybe more money, but it is more about attitude and stimulus - at the development end of R&D. I think this nation could invest there quite profitably.

Q93 Mr Clapham: Just looking at one of those sectors, which is energy, we see that one of the features that is going to remain after we come through this recession is that we are going to have high energy prices. Cheap energy has gone. Given the kind of situation there is now, do you feel there is perhaps a real need for us to be investing in the green technologies, in order to be able to reduce our dependency on those high energy prices.

Lord Jones of Birmingham: I think there are three reasons we should be doing it, and in no order. One is that we are quite good at it and the world is going to move that way, so why do we not make a win-win out of it and sell our technology expertise around the world? I remember going to Wuhan, quite a small city in China, only eight million people, the size of London, in a province called Hu Bei, which has 60 million people, the size of Britain. They have big pollution issues, and there was a wonderful company from Kidderminster, a small business, selling some wonderful environmental engineering stuff to help clean up their water. A huge export of success, right in the teeth of a recession. First, it is because we are quite good at it. Second, as a mix, if we have nuclear in the equation, if we have sustainable in the equation, and the use of fossil fuel continued but in a cleaner way - which of its own is a technological advance - then you are not so reliant on some rather, shall we say, unstable parts of the world who choose to use energy as a power broking mechanism. On that basis, for the nation's sovereignty, if you like, I think it is important. Third, there is the genuinely held belief by so many people that this is the only planet we have got and we ought to be doing something about that too.

Q94 Mr Clapham: Given your wide experience of dealing with British industry abroad, what would you say are the greatest challenges faced by British industry abroad?

Lord Jones of Birmingham: Generally, you mean, not just environmentally.

Q95 Mr Clapham: Generally.

Lord Jones of Birmingham: Every day they come up against companies from their rival nations of the developed world whose governments support them more, put more money behind their promotions, whose politicians are more behind the business equation than ours - of all parties - are. Secondly, a challenge which the entire developed world meets every day is that the developing world, especially the bricks economies, are commoditising innovation every day, so your value-added win-win of being able to say, "I'm selling this on innovation and value-added" if the price is not as important. If it is a commodity where the price is everything, go and get it done in Vietnam or India or whatever. Every five years or so that innovation product has been commoditised and it is now being done over there, so you constantly have to re-invent and re-develop value-added products, goods and services in the developed world because everything else is shifting that way. When you have got a billion Indians, of whom 800 million still work on the land, you have got the population of the European Union and America put together that is working on the land in India and is yet to be industrialised. When you have got something like a third of the Chinese population still on under two dollars a day, this is going to go on for your grandchildren's generation, and so the biggest challenge for

British business overseas is how do you constantly sell on something more than price? If you are at the rarefied end, - Rolls-Royce aero engines come to mind; fabulous product - fine, but you cannot employ everybody in Britain, and so how do you do it so that you have enough economic activity at the value-added end in your country? If I were giving evidence as a German business person to a German politician I would be saying exactly the same, and American and French and Australian and Canadian.

Q96 Mr Clapham: Do they do it better?

Lord Jones of Birmingham: In terms of promotion around the world from a structured government point of view the best in class is probably Team Canada and it might be Singapore. UKTI does it better than the Americans or the French or the Germans.

Q97 Chairman: It is export promotion generally?

Lord Jones of Birmingham: Export promotion, yes, but, in terms of this mix of business and the public realm together that I was talking about earlier, we do not do it well.

Q98 Mr Clapham: So, just to clarify on that question of support given to business abroad, our main competitors: the Germans, the French, et cetera, do they give better support to business products?

Lord Jones of Birmingham: Yes, they do. I can give you two examples. One would be trade fairs, exhibitions, where it is about small business. It is about a small business having two things: money and confidence. The ability to go where you have never been before is a pretty frightening thing when you are a three-man band from Britain. This is not a UKTI critique because UKTI has only got one pot of money and it can only spread it so thinly so far. It is about how much is given to UKTI in the first place. We do not put anywhere near enough behind that. The Germans do. The second one is export credit guarantee. One CEO of a big manufacturing exporter said to me, "I use ECGD to market-test. If ECGD will cover me I know it does not need insurance", whereas if you were the French or the Germans you would be behind all your big exporters.

Q99 Chairman: I do not want to interrupt your flow but there is just one thing you said which was quite interesting. Canada is a federal system with very competitive states and Germany is very much federal; the länder are very competitive. We quite often get anecdotal criticism here that one of the things that undermines UKTI is the RDAs competing with each other which sometimes confuses those markets. Do you think that criticism is fair or not from your experience?

Lord Jones of Birmingham: I think it has got a lot better. You asked me at the start whether I thought I might have made a difference at the time I was there. Because I was from somewhere north of Watford, because I had been in at the formation of the RDAs back in 1999, I understood them, I knew them, I had worked hard with them at the CBI. There was an element of mutual trust between me and the RDAs and I think the relationship got a lot better when I was there and I think it will endure, and there was a lot less of you went to the Detroit Motor Show and every RDA was there separately with UKTI. What a waste of public money that was. That has now come down to just two or three. It is far more focused. It could be better still but it is far more focused. Similarly, I have never understood why Scottish Enterprise always had to have a separate stand everywhere. It was fine if it was Scottish taxpayers' money but not when it was off my budget. That is also getting better, I think. I think there is a bit more will to pull the boat in the same direction. The länder do not do it nearly half as much as the RDAs did, and Team Canada was very much a federal drive. I always said to UKTI, "You want to watch Team Canada and see where you can do it like them in certain areas". Singapore was different because Singapore came from a completely different walk of life in so many ways.

Chairman: I am sorry to interrupt, but that is useful; thank you.

Q100 Mr Clapham: That is an interesting point, working with the RDAs. As you say, it has become much more focused. In terms of UKTI's target markets, they identified in their strategy ten target markets. Do you feel that they need adjusting or are you satisfied that those are the markets which we should be concerned with?

Lord Jones of Birmingham: They chose ten, did they not, but then about a year or so ago they went to 16 of the emerging markets? Do you remember?

Q101 Mr Clapham: I am just looking at the brief. I have got my brief here.

Lord Jones of Birmingham: They had ten, which would include America. For all the accent we put on everywhere else, America is still our biggest trading partner and still our biggest inward investor, so you ignore America at your peril. Of the ten, you are right: they were everything, but we also chose 16 emerging markets we could focus stuff on.

Q102 Chairman: Given the list of the ten emerging markets we have got here, it would be interesting to have your view on the value of the ten - China, India, Russia, Brazil, Indonesia, Mexico, Ukraine, Saudi Arabia, Turkey, the UAE.

Lord Jones of Birmingham: And your question is?

Q103 Chairman: Are those the right ten?

Lord Jones of Birmingham: If you are having ten, that is the right ten. The question should be, is ten enough? One thing I would like to see, and I am not going to second-guess Sir Andrew; he might well have done it, is that you should keep that under constant review and see where you need to be putting more or less of your money. Also, is ten enough? A very good example of this would be that Indonesia, for instance, is a market that is not really on our radar screen as a country. If you said to small businesses in Manchester, "Tell me some exporting markets you think you could go at", a country with 160 million Muslims is not somewhere where they think of and yet it is teeming with people who are getting richer every day and who would love to buy our goods and services. If you said, "How about Mexico?", they would go, "Oh, yes, we know about that. It's below America and I know where it is". You have got an accenting job to do to get certain markets with huge potential onto the radar screen of the British business population.

Q104 Mr Clapham: Are we doing enough to do that, to get across to British business the kinds of markets that we ought to be having a crack at?

Lord Jones of Birmingham: One of my jobs at HSBC is to make sure that smaller businesses in Britain get an understanding of that. I have got to get round Britain doing that and I would hope that some of my rival bankers do the same. This should be something that we should all be doing. Are we doing enough as a country? No; we should be doing more. UKTI, I would say, are doing as much as they possibly can with the resource they have got, but what I would like to see is them having more resource.

Q105 Chairman: As a link into Lindsay's question, one other UKTI question struck us as very important: the degree of controversy around the merger of the defence export sales organisations in UKTI. Some people said that this was a marvellous opportunity to upskill our defence export operation; others said it was a symptom of embarrassment, the fact that we sold armaments at all as a nation and it was time to shut them off. What was the reason for the merger and has it worked?

Lord Jones of Birmingham: First, it is against a background where I believe defence manufacturing is one of the great strategic and hugely important sectors of this country. We are one of those nations that has a reputation for standing up and being counted in the name of freedom. I do not want to argue about was Iraq on the right? What about Afghanistan? I do not mean that. I just mean that we are a nation that does stand up and get counted in many areas. To do it and do it well you need an indigenous defence manufacturing base. Secondly, if you develop it and do it well you can sell that expertise around the world. If anybody who is against us making weapons in this country thinks that this world is going to be safer by Britain not doing it, they are mad. All that will happen is that countries that you really wish were not doing it will start doing it. Therefore, if you follow the premise that we have a huge employer, a big taxpayer, a sector which supports democratic freedom and a sector which hopefully crowds out some rather nasty countries that would do it if we did not, then it follows that you need to give it government support. Our democratically elected politicians may find it unpopular and embarrassing to say so, but the Government of the day has to get behind it and it needs an organisation to promote it. That organisation, especially in the field of arms sales, should be over-transparent. It should super-please in the areas of transparency and accountability, and it is a field where other countries are not transparent and accountable. I think we should be an exemplar in how to do that, and I am not passing judgment over whether we have in the past or not. I am merely saying that is what we should be doing. On that basis you need an organisation. It probably makes sense that you put that organisation in amongst the organisation that is there to promote the rest of your sales and promotion and marketing of what we have in goods and services rather than something that is over there, and so to bring it inside the UKTI tent I think was the right thing to do. It has peculiarities which we have to be sensitive to. One is that your best salesmen and saleswomen for that are not you and I; your best salesmen and saleswomen are the men and women in uniform. They are the best and the people who buy this stuff in other countries listen to the men and women in uniform more than they will listen to me, so you will need to

be sensitive to the fact that it is slightly different in that respect. Secondly, it is probably the only sector, with the possible exclusion of higher education, where government sells to government and where the private sector are agents of government as opposed to principals. Therefore, when government sells to government you have all the issues, good and bad, that come with that. Is it different? Yes. Do I think those differences mean that you would not put it within UKTI? No. I would have it within UKTI. I think that was a right decision, but it was done too quickly, it was done without notice and it was done in a way that was not sensitive enough to the men and women in uniform and those who make the stuff upon which we depend as a nation not only for our security but also our wealth and our taxes and our schools and hospitals. However, is the end result where I would like it to be? Yes.

Q106 Chairman: That means big problems in the process. Industry was completely unaware of the potential. It just happened out of the blue. You are saying that has caused interim difficulties but they are being overcome and the idea is basically a sound one?

Lord Jones of Birmingham: I was amazed, given the lack of notice and the lack of consultation and the immediacy of the implementation of the decision, at how well those who were affected by it got on with it, probably not happily at the time but they got on with it, and I think the end result is probably where a lot of people would have liked it to be, but on the way through there were a fair few sensitivities trampled upon.

Q107 Mr Hoyle: I represent a region that is very depend on defence manufacture.

Lord Jones of Birmingham: Sure. You make the Typhoon, do you not?

Q108 Mr Hoyle: Absolutely; we make the Typhoon, and we have got missile technology as well, but, of course, with that goes a lot of government investment of taxpayers' money. Do you think we do enough in technology transfer for the investment that we place in defence?

Lord Jones of Birmingham: Do you mean transfer to -----?

Q109 Mr Hoyle: Into other sectors, civilian sectors.

Lord Jones of Birmingham: Factually do we do enough? No. I think we could do a lot more. I think there is one huge impediment, which is that, of course, our biggest partner in all respects of defence manufacturing is the Americans. The problem you have got -----

Q110 Mr Hoyle: Except on Eurofighter. They are not even involved.

Lord Jones of Birmingham: Well, quite, but -----

Q111 Mr Hoyle: And the missile technology is not American either?

Lord Jones of Birmingham: But America is our biggest partner in defence technology and the issue you have there is that they so often have huge impediments on technology transfer of any sort. It is easy for you and I to sit in a room like this and say there ought to be more.

Q112 Mr Hoyle: But we could do more. The big question is, which car plant is going to close in the UK?

Lord Jones of Birmingham: You are asking me?

Q113 Mr Hoyle: We have heard statements from the unions that a car plant is about to close.

Lord Jones of Birmingham: You had better ask the unions then, Chairman.

Q114 Mr Hoyle: So you have no intimation?

Lord Jones of Birmingham: I have none. I am not hiding from you. I genuinely do not know. My fervent wish is that none does.

Q115 Mr Hoyle: So you think it could be kite-flying?

Lord Jones of Birmingham: I would think there is an element of it. I would not have thought it was all of it, to be fair. I do not think Tony Woodley is irresponsible in that respect. He might be playing to his audience a

little bit but I think he is probably speaking his mind in his true and genuine belief, to be honest. As you may imagine, Mr Woodley does not ring me up and consult with me very often.

Q116 Mr Hoyle: I am surprised at that.

Lord Jones of Birmingham: In fact, delete "very often"; insert "ever".

Q117 Mr Hoyle: I do not think he plays golf either, so you are all right.

Lord Jones of Birmingham: We might meet on the non-golf course then.

Q118 Mr Hoyle: In the case of the UK should we be doing more to promote its manufacturing industries, what sectors should be sustained through intervention through the recession, and how should the Government intervene without "picking winners"? That is a big question for you.

Lord Jones of Birmingham: I am a critic of this Government not subsidising skilled people to stay in and connected with the skilled manufacturing jobs.

Q119 Mr Hoyle: There is some of that going on. I think you are being a little bit disingenuous on that because there are cases where the Government, through the RDAs, has been investing skills in companies to help support them during that downturn.

Lord Jones of Birmingham: I do not doubt you. What I am saying is that if that is accurate then I really would love to hear that.

Q120 Mr Hoyle: I think we could do a lot more, and I think it is the part that we ought to be doing.

Lord Jones of Birmingham: I would love to hear about that because that would be good news, but if Lord Mandelson is sitting there saying, "Digby, that is all very well and good, but can you please explain to me how I pick the ones that are not going to go bust from the ones that are?" and all that stuff, in other words, pick the winners, I think he has got a valid point. I think it is really difficult. If you come from the Government's heritage of the last time there was a labour administration, when you did have the baling out of British Leyland and all that went with it and the nationalisation of shipbuilding and steelworks and all the rest of it, you are going to have a heritage of this time round not wanting to be seen to be doing it. I understand fully the obstacles to doing it, but that in a way does not mean that it is not right to do it on occasion. We all forget this but the biggest investor in British Leyland was Margaret Thatcher. In intervening and picking winners and failing, I would remind Mrs Thatcher of De Lorean. Doing this is not just something which Labour Governments do. This is something that Governments of both sides did. I do understand how democratically elected politicians who want to be re-elected do not start trying to walk into the lion's den and picking winners, but what could we be doing more on manufacturing? Above all else, I think, we have to invest more of private sector and public sector money in all the means to create value-added innovation. That is what manufacturing is about. It is adding value to raw materials and people's time and how you put the two together and make six or seven. That is manufacturing. If you do not put more investment now into skilling people, getting your kids on board with the ideas so that they start thinking of careers in it, getting local governments understanding and politicians understanding this is not a milch cow that you can just constantly tax and regulate and presume it will always be here, because it is also the most mobile of our sectors. It is very difficult for Asda to make money from an Asda store in Birmingham and some of it in another country. You cannot do it. You can move a factory. I know nothing about this but I read in the newspapers that there is a big row going on in the Government at the moment about, "Let us make sure there is less regulation", and some parts of Government say, "No, we will have more". I tell you: manufacturers will just go. They will go and do it somewhere else. We really cannot afford that to happen, so what should we be doing more? Making the business environment more easy for manufacturers to invest in this country and not in another country.

Q121 Mr Hoyle: It is interesting what you stated about Leyland but it is the same people that are coming back again - Jaguar, part of Leyland, LDV vans, part of Leyland.

Lord Jones of Birmingham: I think that is a coincidence.

Q122 Mr Hoyle: Leyland Trucks, part of Leyland.

Lord Jones of Birmingham: A coincidence.

Q123 Mr Hoyle: What we are seeing is that all the ones are suffering the same problems because they suffer the most because of the downturn. The first thing you do not buy is a replacement car or a replacement van or a replacement truck. My view is that the Government can do more and it is something that we had to remind you of when you were busy. I know you told something different in the Daily Mail, but when you came to this Committee you were happy riding round in a Japanese-built car with ----

Lord Jones of Birmingham: I was not happy. You know I was not. Do not put words in my mouth, Mr Hoyle. I was very unhappy.

Q124 Mr Hoyle: You did not even know that you were riding ----

Lord Jones of Birmingham: I thought it was made in Swindon.

Q125 Mr Hoyle: Exactly, so we corrected you and ----

Lord Jones of Birmingham: And I went out and got a Jaguar.

Q126 Mr Hoyle: Quite rightly, but the point I am making ----

Lord Jones of Birmingham: Made in Liverpool.

Q127 Mr Hoyle: So it should be.

Lord Jones of Birmingham: I know. Do not say I was happily driving round. I was not.

Q128 Mr Hoyle: Quite right, but what I am saying is you were busy riding round as a minister in a Japanese car with not one British job and not one British component.

Lord Jones of Birmingham: Spot on.

Q129 Mr Hoyle: Do you think - this is the point I am getting to - the same with the vans in Southampton and LDV vans in Birmingham? Do you think we can do more at the moment through procurement? I think it is always better to buy British manufactured cars and vans and vehicles because not only is it good for you to be seen in a British-built vehicle but also people recognise that it must be a good vehicle because if it is good enough for a minister it is good enough for the rest of us. Do you think we can do more through procurement to support British manufacturing?

Lord Jones of Birmingham: Absolutely, yes. What amazes me, and I say this with huge respect to the green lobby, is when you see the contribution to CO2 emissions from the moment a Prius starts to be built in Japan to when it is driving a Cabinet minister around here and you see what you could do with a two-litre diesel baby Jaguar made in Liverpool, there is less carbon put into the environment in the whole equation by the small car in Liverpool. A ten-year old Ford Focus or whatever pollutes the environment far more than a modern Range Rover, but can you get that concept into people's minds? No. What we have to have at this time is a procurement process for the nation just supporting quality manufacturers. I was in De Lorean driving an Austin Allegro, so I was the one. I do understand that in the old days when a lot of British manufacturers did not make good stuff procurement on that basis was not only protectionist; it also was uncompetitive and, frankly, did the taxpayer down. Today in certain sectors we are first equal in a world of firsts at many things and we ought to be supporting it, yes.

Q130 Mr Hoyle: Absolutely. What I would suggest is, and I do not know whether you would agree, is that we ought to have a minister responsible for government procurement that would go right across departments because some departments do not seem to understand the importance of how you can use procurement, - of course, we have to work within the European law, although we are talking about companies which are outside Europe so it does not exist - somebody who would sit in the Cabinet office, look across and say, "Right; we have got the procurement here". It may be paper clips this week but it could be trucks next week or aircraft the week after, but somebody takes responsibility to ensure that British companies know about it, and get all the right promotion and all the right support.

Lord Jones of Birmingham: My sympathies are entirely with you. Whether that person would thank you for the job is another matter.

Q131 Mr Hoyle: I thin you might come back on that.

Lord Jones of Birmingham: I think it would be a good idea. One of the problems you have in the European Union at times like this is that I cannot really believe that if I were a French businessman and you were a French MP we would be having the same conversation.

Q132 Mr Hoyle: No, because I like the same playing field that they use.

Lord Jones of Birmingham: They are subject to the same procurement rules as we are.

Mr Hoyle: Yes, and somehow they seem to get the rules right. They put the French car industry first.

Q133 Chairman: I think you are agreeing with each other at some length, so I think we should move on.

Lord Jones of Birmingham: We are having a manufacturing love-in, Chairman.

Q134 Mr Hoyle: I will just give you another quick example where I think cross-government does not quite work out. We have put an army unit on contract that is now manufactured in China. It is now coming up this year and we have got British companies tendering for it. Part of it was that it was lost by about a million pounds over the five years on an over-£50 million contract, but what is never taken into account is the loss of the 50 jobs that went with it last time and the amount of national insurance and tax that they had been putting into the economy and the profits from that company. Do you think somehow we ought to look at that?

Lord Jones of Birmingham: Absolutely; for sure. I think the problem you have, and my sentiment is with you, is that you must make sure that the act of competition delivers the best value for money for the taxpayer. What frustrates me is when people are not comparing apples with apples and then do Britain down. Often, if you compared apples with apples, Britain would win. That is what worries me.

Mr Hoyle: A state-owned factory tendering is going to win. What I would say to you is that from the defence point of view they have saved a million pounds but the loss to the Treasury through national insurance and tax was never taken into the equation.

Chairman: I think you are starting to agree with each other again.

Q135 Mr Hoyle: So do you think it is something we can begin to look at?

Lord Jones of Birmingham: Yes, it is.

Chairman: That will do.

Q136 Mr Hoyle: Of course, it is about supporting British manufacturing. I am pleased that you have touched on the energy markets as well and the hope that we can move forward. Is there any other message that you think we ought to be putting in our report that would support British manufacturing on something you have not mentioned yet?

Lord Jones of Birmingham: Yes. I would also use the procurement exercise to improve the skills base because what is wrong with a local authority saying, "I like your prices, I like the quality. How do you skill your people?"? They bring into the equation, rightly, about the private sector as employers of ethnic minorities and all of that, and I have got no problem with it, but why are we not also saying, "I will buy your stuff if you train your people. I want to come and see how you train them". If the future of our manufacturing base is on how good the skills base is we will endure this recession. I want the big buyers of domestic manufacturing goods, which is basically the public sector in all its forms, including central government and the army and whatever, saying, "I want to come and see whether you have got any illiterates in your workforce. I want to see whether you are training well enough. How is your supply chain about training?", and using the procurement process as an impetus to improve the skills base of the nation. Why not? There are a lot of politicians who are very quick to say to the private sector, "We insist that you employ so many of this part of society and so many of that part of society". There is nothing wrong with that, fine, but - hang about. Let us invest in tomorrow's people to deliver the goods so we pay our way in the world. If we do not pay our way in the world we are finished.

Q137 Mr Hoyle: I have a final quick question with a straightforward answer, I believe. I can see the benefits for UK manufacturing coming from the pound being weaker and that all those component companies that

went into Europe are now looking to come back to the UK. Do you think there are opportunities the Government should seize there to support that?

Lord Jones of Birmingham: Yes. I believe the currency issue is cyclical. If we had had this conversation a year ago it would have been two dollars to the pound, so it is cyclical. It would be a dereliction of duty if, whilst we have the cycle in our favour in exports, we were not doing more about it.

Q138 Miss Kirkbride: I wanted to pick up on a couple of things that have come up so far. We started today by saying that we face the worst economic outlook since the Second World War, and clearly there are a number of our big exporting companies, one of which you are an ambassador for, who are in a spot of bother at the moment because of the world environment. If you were in Government now what advice would you be giving to Peter Mandelson about their various requests? What should the Government do?

Lord Jones of Birmingham: Without a shadow of a doubt make sure these initiatives are making a difference on the ground in the morning more than anything else. You have had your five minutes of initiative blitz. You have had all the news conferences. You have produced your strategy; fine. Just explain to me why there is a small business in Birmingham or Manchester or Newcastle right now which frankly would not know there was any difference. It is not getting through to the coalface. It is not making a difference on the shop floor. It is not there and you have got banks who are still not lending money, and until that changes I do not really want to see another initiative other than the one about what we were talking about, making sure that skilled people stay in work. Other than that I do not want to see any more. I just want to see the one thing declared actually make a difference. Above all else, please, Government, do not just announce it, spin it up, say, "I am doing something", and then assume the system will deliver it, because it is not delivering it. I tell you: I should think every single small business - or big business - which perchance will watch this will sit here saying, "Well done. That is exactly the issue". It is just not making a difference on the ground.

Q139 Chairman: I have to say I put this to the Prime Minister in the Liaison Committee last week and he said no, it was, so I am grateful for your endorsement.

Lord Jones of Birmingham: I support the initiatives. This is not an anti-Government thing. It is about the delivery.

Q140 Miss Kirkbride: So what has been announced already would be enough to be working for Jaguar, to take a specific example?

Lord Jones of Birmingham: If there were sufficient credit in the system. It is a big one - if there were sufficient credit in the system. It is easy to say quickly, "Let us get the goods in market and have people being able to borrow money so they buy a Jaguar". That has taken five seconds to say. That is a huge ask. Is that sufficient? Yes, in many ways, but it is a big thing. Secondly, if we are going to carry on asking companies like Jaguar to green up what they make - and there is nothing wrong with that but it is expensive - then direct, copious, taxpayers' help there is a good thing. Third is preservation of the skills base.

Q141 Miss Kirkbride: What about someone like LDV that has come out this last week as a potential cause for concern? Its MD on the radio this morning said that it had not made a profit in the last four years and yet clearly it will be looking for taxpayer insurance for any loans that it takes out. What would your take be on that?

Lord Jones of Birmingham: I think this is very difficult.

Q142 Miss Kirkbride: But you are sitting on Mandy's shoulders giving him advice.

Lord Jones of Birmingham: As you may imagine, I do answer the question, do I not? I have got a reputation for that, and I will not duck it. It is difficult because I am a Brummie. They have been making vans there for as long as I have been alive. It is difficult because there are good, decent people who are in this predicament through no fault of their own. However, there is a difference in downturns and recessions between two types of business. There are those who fall victim to this cyclical nature of economies that go into recession because either what they make or the way they make it or where they make it is no longer in tune with where society has moved to. I have in mind Woolworth's. I think Woolworth's is a classic example. I say this with huge sensitivity to the 27,000 people who worked there and anybody saying, "You would not be saying it if it was you"; I do understand the issue, but nevertheless Woolie's is caught by an economic downturn of a cyclical nature and perhaps LDV is partly caught in that. That is different from this type of recession, ie, starving the business environment of liquidity so they do not go and buy a JCB, they do not go

and buy a Jaguar, they do not go and buy a Nissan or whatever. That is not the same as the other type and there are two different victims in this recession: those who are caught openly because of the banking crisis and those who would have been caught in a downturn anyway. It makes not a jot of difference, does it, to the poor soul who is made redundant in either case who cannot pay his or her mortgage in the morning? It makes not a jot of difference to the taxpayer who has to look after that person in the safety net of state benefit, but it is a different way of analysing what you would do. I will criticise the Government if they are not getting behind the ones which are first-class products and are there only because of the financial crisis. It is more difficult to criticise the Government for not doing something about those that are caught in the normal cycle of an economy.

Q143 Miss Kirkbride: In terms of the way those two separate categories are handled, to go back a little bit on what we have said, it is really for the initiatives that have already been taken in terms of loan guarantees to become effective and then for that assessment to be made not by government ministers but by the banks which must resume their lending and the decision they then take is fine and the Government should not get involved?

Lord Jones of Birmingham: Are you saying that with relevance to LDV or generally?

Q144 Miss Kirkbride: LDV.

Lord Jones of Birmingham: No, I do not think that is applicable to LDV at all. Of course, it is applicable partly to LDV, but no, you should not be looking at these government initiatives and saying that application of all those in the morning would solve LDV.

Chairman: I do not think that is what she said.

Q145 Miss Kirkbride: No. I did not explain myself correctly. What I am saying is that, subject to the Government's initiatives working and the credit getting through, the assessment of that insurance-backed credit by the Government should be made by the banks.

Lord Jones of Birmingham: Oh, right, so in other words -----

Q146 Miss Kirkbride: Or these companies.

Lord Jones of Birmingham: And the banks will do their usual task of picking winners as opposed to the Government?

Q147 Miss Kirkbride: Yes.

Lord Jones of Birmingham: Yes.

Q148 Miss Kirkbride: And then que sera.

Lord Jones of Birmingham: Yes, but as long as the banks are doing their job. I get called by a building company down in the south west and they want to borrow £20,000 from a bank with "Scotland" in its name, so you have got a 50/50 chance of guessing the right one. He has got a letter and it basically says, "Here it is and after two years it will have cost you £23,000 to borrow it". Why do they not just take two lines to say, "I do not want to lend you the money"?

Q149 Chairman: Yes, but hang on. You did declare your interest at the beginning, the fact that you are working for a bank. I have to say my understanding is that all banks are going to be doing the same thing. I am picking on the ones that are state owned and have names.

Lord Jones of Birmingham: Except ----

Q150 Chairman: HSBC is doing the same thing.

Lord Jones of Birmingham: Chairman, I am not going to comment on that. What I am merely saying is that you as a taxpayer have no say over what Standard Chartered or HSBC say. You do have an involvement in the other two.

Q151 Chairman: Except, by definition, they are the banks in the biggest trouble and therefore have to rebuild their capital whereas the most prudent, and we will take HSBC, has got more liberty which it is not using.

Lord Jones of Birmingham: Quite right; I agree with you, but you were asking me who would decide ----

Q152 Miss Kirkbride: Who is going to decide, yes.

Lord Jones of Birmingham: Your question was, "Would you leave it to the banks?".

Q153 Chairman: Yes.

Lord Jones of Birmingham: I am answering you, yes, if the banks did the job. If you are a small business down in Taunton and you are told in a letter, "You can have your £20,000 but it will cost you £23,000", you might as well just say, "I do not want to lend you the money". The banks in that case, all other things being equal, stack it up, make sure it is right, are not doing their job. The reason, Chairman, I chose that was not a cheap jibe at rivals of the bank that pay my wages. It was because the Government has a stake in those and not any other.

Chairman: Actually, the bank that is causing most difficulty to small business anecdotally is one you have not even mentioned today.

Q154 Miss Kirkbride: What I was meant to be asking you about was training policy. In earlier exchanges you had with Mr Hoyle I did not disagree with what you were saying about trying to back Britain more particularly when it comes to procurement but I wonder how you reconcile that little love-in with the Buy America programme that we have had from Obama, which, of course, has caused quite a lot of shock waves around the world.

Lord Jones of Birmingham: You know I come to this Committee as an inveterate free trader. I do not support tariffs, I do not support a Buy America programme.

Q155 Miss Kirkbride: What would be the difference be?

Lord Jones of Birmingham: I am about to explain. I would not support putting into legislation a Buy British programme, no matter how much I would find that frustrating, because we cannot really go round to the French and the Germans and Americans and say, "Why are you protecting yourselves?", if we are doing it too. I think our love-in was actually about the sentiment to procurement where we do not even give ourselves a chance. We do not even compare apples with apples. We put our companies up against different procurement processes in different countries or in this country where they are not even competing on a level playing field. I would not support protectionist measures in the short term, let alone in the long term. In the short term it would not be in our interests as a nation because we are such a free trading nation and we want to pay our way in the world by trading round the world. You cannot do that if you protect your home market in an unfair way, but in the sentiment of procurement we really do not give ourselves even a level playing field on which to operate and I think that is where the love-in was.

Miss Kirkbride: As I say, as much as I have a lot of sympathy with your love-in, a true free trader would not allow what Mr Hoyle said, which is to say that you take into account the taxes paid in one country. You say wherever the goods are made the cheapest that is the place where you buy.

Q156 Mr Hoyle: That is not what I said.

Lord Jones of Birmingham: Do you think it is right that a Cabinet minister in this country goes round in a car made in Japan, not, notice, a Japanese car, because I think there is nothing wrong with him going round in a Japanese car made in Britain, nothing wrong with that at all, but do you think it is right? Just answer me that.

Miss Kirkbride: It is competition, is it not? I feel I should point out that we are asking you the questions.

Mr Hoyle: I want to clarify whether I have been used.

Miss Kirkbride: But the point is that in proper free trade you would buy the goods and services which are made where they are done most cheaply in the world and are the most designed for that kind of production, and therefore you increase the purchasing power of the country that is buying those goods and services so that they can produce more. You do not take into account the whole macro view of it all. You just do it

straightforwardly on where the cheapest things are made. You buy them even if they have come from Japan because of the benefits that would ensue. You do not take into account the more holistic view of the loss of tax and income and jobseekers' allowance that would be created by buying there, which is what Mr Hoyle did say.

Chairman: Mr Hoyle wants to clarify what he actually said.

Miss Kirkbride: Let him clarify what he said. What did you say?

Mr Hoyle: What you are not doing is comparing where I started from. We are on about a state-owned factory in China which is completely at an advantage because it is owned by the country so therefore how do you end up putting it in China when you would not even be able to sell ----

Chairman: We must not be protective.

Mr Hoyle: Obviously, a state-owned factory has a complete advantage when it is going to do work for the UK. The point on the Japanese was that it is not cheaper, far from it, and the fact is that it has done all "It's green" in the valuation and the fact is, as we have said, that it has got a bigger carbon footprint than British built cars because it has been shipped round the world.

Miss Kirkbride: You have made the point, so what things should be taken into account?

Chairman: Can I from the Chair point out that that you are not a free trader because you think a British minister should drive a British-made car? That is a perfectly reasonable view to hold but it means you are not a free trader.

Mr Hoyle: I will answer it.

Chairman: No. It is a perfectly reasonable view and I have got a lot of emotional sympathy with it, but it means you are not a free trader.

Mark Oaten: A pick-and-mix free trader.

Mr Hoyle: Woolworth's is, essentially.

Miss Kirkbride: To go back to where we have been.

Q157 Mr Hoyle: A free trade alliance.

Lord Jones of Birmingham: Ah - ping! You seem to be saying that most free traders would find a convenient place where they are not. Is that what you are saying?

Q158 Chairman: If you think a British minister should drive a British car you are not a free trader.

Lord Jones of Birmingham: I believe that if my wages are paid by the British taxpayer and paid by people who risk their livelihoods and invest in Britain the minister or a civil servant provided with a car should be supporting the people who pay their wages. If there is an area where that car encounters no competition, for instance, to my knowledge I do not think Britain makes a people carrier, clearly that is different, but where you can and within the realms of competition then I believe that someone who relies on the taxpayer for their wherewithal should be supporting those taxpayers' jobs. You are telling me that conflicts with genuine free trade?

Q159 Miss Kirkbride: I think it gets very difficult.

Lord Jones of Birmingham: I could go into the early hours arguing with you on that.

Q160 Chairman: We do not want to get too bogged down with this but I think it is the beginning of a slippery slope. President Sarkozy uses exactly the same argument to justify subsidies to French car makers with French taxpayers' money, to justify explicitly protectionist measures in his subsidy package. The French and German governments use scrappage allowances because they know they will go for German cars; the Germans buy German cars. These are all protectionist measures and you are beginning on the slippery slope. You are giving them permission by saying British ministers, which I would agree with you about,

should drive British cars. That is the trouble. The battle to protect free trade is difficult because we all make little compromises to suit domestic audiences.

Lord Jones of Birmingham: I think it is a valid point.

Q161 Miss Kirkbride: Are we compromising on that one then?

Lord Jones of Birmingham: I think he has made a valid point.

Q162 Miss Kirkbride: So Obama is very naughty but we will still buy British from the British Government as long as it is not put in legislation? Is that a rough summary of what it is all about?

Lord Jones of Birmingham: By the way, the President of the United States of America, from, I think, the middle of this year - when you see him wave as he gets on to his helicopter on the White House lawn, that helicopter will be made in Somerset.

Q163 Chairman: They may rescind the contract, actually. They are not so sure. They are looking at it again because they are unhappy about it.

Lord Jones of Birmingham: There you are: protectionist again. Do not upset me on this Monday afternoon, Chairman.

Q164 Miss Kirkbride: So if we have a bit of difficulty when it comes to goods and services and free trade ----

Lord Jones of Birmingham: You do.

Q165 Miss Kirkbride: Between us, I would say.

Lord Jones of Birmingham: Do not "we" us.

Miss Kirkbride: "We" in terms of reconciling how ----

Mark Oaten: You are both Bromsgrove.

Q166 Miss Kirkbride: Yes, exactly, but I mean "we" in terms of reconciling what emotionally we might like to do with a policy that would be fair and reasonable with regard to free trade. What about when it comes to British jobs for British workers?

Lord Jones of Birmingham: I should think the Prime Minister - and I have not spoken to him about it so this is just a personal view - regrets the day he said it. One of the things that this country has excelled at over hundreds of years, not the last five or ten but hundreds of years, is getting quality people, skilled people, from all over the world to, yes, okay, enrich us socially and culturally but really to add to the GDP of the country. We have done it for hundreds of years incredibly well. We have even got a royal family that every time we run out of people we have gone off to Europe and got another lot. We have done it for hundreds of years, so I think, rightly, that if there are unemployed construction workers in Britain who think, "Two years down in the Gulf, two years in eastern Europe is what I'll do because I can't get a job here", the Auf Wiedersehen Pet argument, I think that is a good thing, but it hardly becomes us to turn round and say to others, "You can't come here and do the same thing". What I would say is welcome to competition because some of you might remember in 2006, just after I finished at the CBI, I took the Dispatches cameras on a tour and made a programme about Polish workers in Britain. This was at a time when you could not get a plumber for love nor money. I remember there finding out so often that people were saying, "Oh, these Poles have nicked our jobs", and with the camera there I used to challenge them. I would say, "You do the job then". "I'm not doing that job". "Why not?". One guy said, "I've got to get up early". Another guy said, "They don't pay enough". I do not blame the Polish workers for coming here, and I know the argument is that in the refineries and all that it was not Poles but the concept is the same. Please do not tell me that if we can get a more productive nation from people who are prepared to come here and work for a wage - and I hope there is no abuse; I do not want breaching of minimum wage; I do not want breaching of any health and safety or employment regulations; that is despicable, I do not want that, but if it is purely competition - then at the end of the day we have a history of welcoming people here to work hard, bring their skills and deliver for this country. It will be one of the elements by which we get ourselves out of this. I would love to take this opportunity in public to say this, Chairman. If we allow protectionism, and we have agreed a compromise on one or two areas, to get hold of the major nations of this world you will find nationalism follows very quickly

behind it, and the moment you get nationalism you get extreme parties playing to populism and it will be the easiest thing in the world to get people who are worried about their jobs, worried about their future, to turn on certain ethnic minorities in this country, and indeed sometimes not even minorities. I would just say to us all that we have to kill that at birth, strangle it at birth, because I do not think it is too emotive to say look what happened when the 1930s went that way.

Q167 Miss Kirkbride: Okay, so we are clear about workers.

Lord Jones of Birmingham: But not buying a British motor.

Q168 Miss Kirkbride: What about your general view of the protectionist sentiment that is rising around the world, whether it is coming from America or whether it is the French up to their usual tricks? Are you concerned that in the present political climate we are going to have some difficulties on this front?

Lord Jones of Birmingham: We have always had difficulties as a nation preaching the free trade gospel around the world. On balance, if you look at it over a cycle, our free trade stance, I agree, is bent at the edges but it has made this country richer. It is very difficult to sell that story to someone who has just lost their job and your democratically elected politician has to explain that he or she has just voted for them to lose their job. That is a pretty difficult call in a democracy, I fully understand that, but over a cycle you tend to make more money as a country if you are free trade. At this moment we are seeing a challenge to democratic capitalism, are we not, and when that happens the different voices that come to challenge that do not all come from people who are inherently nasty or anything else. A lot of them come from people who are just very worried, very insecure. It is a very difficult path to walk to keep the free trade mantra going but if this nation does not have a world that by and large is free trading we will never pay our way in the world and we certainly will not trade our way out of this.

Q169 Chairman: This has been how I knew it would be, a wide-ranging session, perhaps a little more wide-ranging even than I had expected, but nevertheless a helpful one. The principal purpose of it was to draw on your time as a minister and to understand what changes, if any, you think need to be made to the public policy environment that surrounds our export promotion effort. That was the principal purpose: to make sure we can trade out of a recession and make use of a weakened sterling, for example. Is there anything - and this is a dangerous question to ask Digby Jones - you have not had an opportunity to say in that specific context that you would like to put on the record before we draw the session to a conclusion?

Lord Jones of Birmingham: I would hope that as the Government of the nation - and this is not about a Labour Government or a Tory Government or a Liberal Government; it is nothing like that at all - faces the next 15 years of pulling in one's horns and raising taxation, and both of those two things are going to have to happen whoever is in charge because of the nature of the national debt, I just hope that they do not say, "We have got to cut things so that means less on trade promotion, fewer nurses, fewer teachers, fewer policemen". By all means start looking at the back office, all those sorts of things of which I spoke in a former committee. By all means look at streamlining systems, look at changing the way that you produce public services for sure, but please do not cut at the coalface. That goes for a teacher, it goes for a policeman and it goes for a nurse. I want to see in the same breath as those important people in our society those who work in the trade promotion and investment promotion side of this nation. We have to see them, whether they are working on the ground in an emerging market or whether they are working in a regional country of the UK getting businesses to do it. They are as important to this country as a nurse and a teacher and a policeman because if they do not do the job and businesses do not earn the money they will not pay the taxes and you will not get any nurses and teachers and policemen. More than anything else, therefore, I would ask, - and I have got representatives of all three parties here - when the call comes (and it will) to cut services and raise taxation, please put the work of UKTI up there with the work of a teacher.

Q170 Chairman: And you would say that broadly the UKTI structure and model is working quite well? It could be improved, everything needs to be improved, but you would not change the basic model?

Lord Jones of Birmingham: I would not. I would put more resource into it, especially on the ground in overseas markets, especially into other sectors than they are allowed to do because of the money at their disposal. I would not change it. The ability to get people to follow an understood vision and be led forward happened before I or Andrew Cahn. It happened with me there. I understand, although it is second-hand, that Burman Davies(?) is doing exactly the same. What we should do is not chop and change and have people going forward. There will be some places in the world where they could do with a few more people. By the way, if that means that you are going to say, "Those people can come but they have to come off a

head count in London", change the system. There is nothing wrong with that, but do not just cut people at the coalface.

Q171 Chairman: Thank you very much indeed. We are very grateful for your time.

Lord Jones of Birmingham: My pleasure.