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Crown Agents Bill (Lords)

HC Deb 06 June 1995 vol 261 cc35-117

Order for Second Reading read.

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr. Tony Baldry). I beg to move, That the Bill be now read a Second time.

4.30 pm

In August 1993, my noble Friend the Minister for Overseas Development, Baroness Chalker, announced the Government's decision to introduce proposals that would allow the Crown Agents to be transferred to a newly created, independent foundation. The Bill before us gives effect to that decision. It might be helpful to remind the House a little about the Crown Agents. Who is it? What is its history?

The Crown Agents began its work in 1833, when, as Crown servants acting under prerogative, it was appointed to procure goods and services for colonial administrations. Its status was redefined at the turn of the century, when the position of Crown Agents' staff was formalised as analogous to that of civil servants. A new headquarters was opened, and the volume and complexity of work undertaken increased rapidly.

The next milestone came in 1954, when its full name was changed from "Crown Agents for the Colonies", to "Crown Agents for Oversea Governments and Administrations", by which it is still known today, although I suspect that everyone in truth knows it as Crown Agents. That change reflected and assisted its transition from British colonial servants to the present international business, uniquely responsive to the needs of a wide range of overseas clients. It performed that task well for more than a century.

For almost all its 162 years, the Crown Agents has effectively operated in the private sector.

In 1954, Sir George Seel, the Crown Agent, gave a broadcast explaining the change of name for the Crown Agents. I think that what he said was of some interest. He said: "We trace our ancestry as Crown Agents to the private merchants who, in the eighteenth century, handled the London or Bristol business of the several West Indian Colonies." These private agencies were consolidated by the Treasury in 1833 into one establishment, under two "Joint Agents General for Crown Colonies", who then acted for 13 Colonies; henceforth under Treasury supervision, but still as a private business.

During the 19th century, various adjustments were made, as colonies multiplied and the business expanded, and in 1863 the name Crown Agents for the Colonies was introduced. In 1909, after a parliamentary investigation, the organisation took its present form under the general supervision of the Secretary of State for the Colonies.

"We are still," said Sir George Seel, in 1954,

"a private business in the sense that we are not paid out of taxes. We live on a modest commission on orders, adjusted from time to time to avoid piling up profits, or of course running into a loss. Our salaries conform to those of the Civil Service, but we depend for continued existence on satisfying our principals, the oversea authorities (now numbering 120) from whom we take our instructions. We are in short a Crown Office carrying on financial and commercial business on a large scale. Last year, we bought and shipped some £60,000,000 of goods, nearly all British. We hold over £800,000,000 of other people's cash and securities." "We are well known to British firms who export anything from railway engines to pedigree chickens, or from a dredger to a queen bee. We are known to investors in Colonial Stocks, and to thousands who have served overseas, and when on leave or retirement drew their pensions or salaries

from our offices overlooking the Thames at 4 Millbank, London.” “We act as consulting engineers. We float loans, or acquire house property. We can where authorised act as Universal Aunts for any public authority abroad which has business in this country.” “Why change our name? The answer is simple. Twenty years ago ‘Crown Agents for the Colonies’ fitted well enough, but now our clients are by no means all Colonies, or even all British, or even all Governments. Foreign territories like Iraq, Jordan and Libya, once under British administration and guidance but now independent, still find it pays to use our services. So does Ceylon, an independent Commonwealth country. We act for international bodies, and for British Government departments under the Colombo Plan. We are constantly acquiring new clients among local authorities and other public bodies abroad.” “For all these clients our name, nearly a century old, signifies quality and service; but many now find it misleading. We have therefore felt bound, although with some reluctance, to change it. In practice, we have always been called just ‘Crown Agents’, and we had hoped to make that our official title. But there is already a Crown Agent in Scotland, and it would be even more confusing, as well as discourteous, if we tried to poach on his preserves. So, after trying many alternatives, we become ‘The Crown Agents for Oversea Governments and Administrations.’” “Our friends will no doubt go on calling us Crown Agents for short, and we hope this will continue to stand for efficient service. We’ve been asked ‘What’s in a Name?’ The answer, for us, is the maximum of business goodwill between Britain and many overseas countries.” That was Sir George Seel in 1954. As was clear, Crown Agents was a UK success story, effectively while in the public sector, running as a private business.

Alas, in the 1970s, things got difficult. Crown Agents unwisely expanded its own account business into areas in which it had no specialist expertise.

When the property market failed in the mid-seventies, Crown Agents was left with substantial losses, which Government were obliged to underwrite. That resulted in a Bill in 1979 which provided a tight framework of regulation and Government control—a necessary piece of legislation at the time, supported as a whole by Parliament.

On Second Reading in February 1979, it was clear that the Bill had been introduced against the background of a series of financial disasters, inquiries and investigations, and that the legislation was deliberately tight in order to try to ensure that such mishaps could not occur again.

For the first time in its history, Crown Agents was given statutory authority as a public corporation, responsible to the Minister for Overseas Development and the Secretary of State for Foreign and Commonwealth Affairs. The Secretary of State appoints the chairman and board, and has certain powers of direction over their work. The Act rightly took care to safeguard the traditional confidential nature of Crown Agents’ relationship with its overseas principals.

But it is worth noting in the context of today’s Bill that if Crown Agents, as a consequence of this legislation, moves into the private sector in the next year or so, it will have spent only about 15 years of its 162 years as a public body.

It is also worth noting that Crown Agents operates at no cost to the taxpayer. Since incorporation in 1979, Crown Agents has not received any subsidies from the Government—quite the contrary. Since 1979, Crown Agents has made payments of more than £20 million in capital and interest to the Government. It has been so successful that today it is one of the world’s largest international public sector purchasing organisations.

It provides procurement, management and technical services to around 150 clients, serving 130 countries. It employs about 600 permanent staff, plus 250 overseas and contract staff. Its clients include other countries which give substantial bilateral aid, such as Japan and the Netherlands; and multilateral development agencies, particularly the World bank, the European Union and the United Nations. It is a matter of some pride to all of us that a country such as Japan has such confidence in the Crown Agents that it contracts out its overseas development work to the Crown Agents.

In the former Yugoslavia and in Rwanda, where Crown Agents has worked for the ODA and for the United Nations agencies, its procurement and logistic services have proved invaluable, delivering emergency supplies to those who desperately need them. There is no doubt that, with its help, we have saved many lives.

The heart of Crown Agents' business is, and will remain, the provision of procurement services for all its clients—whether public or private sector—here and around the world. It also provides training and advisory services in procurement. As one of a number of such projects in the former Soviet Union, Crown Agents provided the Russian Government with technical advice, funded by our know-how fund, for the management of a \$350 million World Bank import rehabilitation loan.

At its own training centre in Sussex and overseas, Crown Agents provides courses in a wide variety of disciplines that are highly relevant to economic reform and human development. The Crown Agents group also includes an asset management arm regulated by IMRO—the Investment Management Regulatory Organisation—and a financial services company which has applied for supervision, following passage of the Bill, by the Bank of England.

Its stamp bureau provides philatelic services for nearly a quarter of the world's postal administrations, and its wholly owned subsidiary Resource is helping the standards organisations of more than 30 newly industrialised countries to establish standards for product testing and inspection.

The Crown Agents ethos is rooted in a long and proud tradition, but it is completely relevant to today's competitive business environment and the needs of a growing army of customers. One of the most important of those is the Japanese Government. My right hon. and noble Friend the Minister for Overseas Development is becoming used to the congratulations of diplomats and officials who have come across the work of Crown Agents. Most recently, the head of the Japanese Economic Co-operation Bureau, Mr. Hirabayashi, made a point of telling Lady Chalker—at a high-level meeting of the OECD development assistance committee in Paris—how much he valued the work done by Crown Agents.

The Japanese Government's appreciation of Crown Agents' professionalism and reliability is no doubt the reason why an increasing volume of Japan's aid programme is routed through Crown Agents. I am sure that the House will be interested to hear about a few of its more recent projects.

In Ghana, Crown Agents is currently organising a major economics consultancy for Japan's OECF to assess the progress of privatisation. For that project, it formed an Anglo-Japanese team—a good example of the new models of partnership and consultation that Crown Agents, as a business at the cutting edge of its field, is developing.

Hon. Members may be surprised to learn that the total value to date of the purchasing programme in the 14 sub-Saharan African countries that Crown Agents manages for the Japanese is around \$1 billion. That substantial sum—along with the trust of the Japanese Government which it signifies—places a fair value on the quality of the work that Crown Agents provides for many clients across the world. That is why—along with, I am sure, the whole House—I have every confidence in the future success of Crown Agents.

The House may be most familiar with the work of Crown Agents in emergency relief and humanitarian assistance. It has deservedly won a pre-eminent reputation in that regard. Often operating in very difficult environments, frequently in an unfamiliar legal context, Crown Agents has built up substantial reserves of good will and trust as a result of its courage, professionalism and dedication. Its contribution to the Mostar relief convoy in Bosnia was decisive, and the United Nations High Commissioner for Refugees has placed on record "enormous appreciation" of its "courage, professionalism and spirit ... solidarity and dedication under extreme pressure and danger." But Crown Agents' work rarely ends when the immediate crisis is over. It is also used to planning and building for the future. It has already begun purchasing and supplying equipment, plant and vehicles for the reconstruction of damaged facilities in the war-torn city of Mostar, under the management of the European Union Administration.

Hon. Members will recall that Crown Agents is a truly international organisation, with clients across the globe. It has developed speedy, innovative and flexible responses to emergencies, which take full advantage of their world-wide network of personnel and offices.

That network played an important part in the United Nations' emergency response to the Rwandan refugee crisis. Crown Agents airlifted logisticians and equipment to Zaire; a complex operation to supply water to a refugee camp near Goma was solved only when Crown Agents airlifted from Croatia a water tanker convoy, complete with equipment and spares. The tankers were soon transporting 350,000 litres of water daily into the camp, providing the last vital link in the chain of relief and saving many lives in that beleaguered country.

Crown Agents' many friends in the House and across the world will be pleased to know that it intends to make the best possible use of the expertise that it has developed in so many tragic parts of the world. Indeed, the ODA is currently discussing with Crown Agents plans to provide a full-time emergency response unit on permanent standby to deliver humanitarian assistance anywhere in the world.

The range of Crown Agents' activities is impressive. Its business is constantly evolving. Sixteen years ago, when the 1979 Act was passed, Crown Agents provided the bulk of its services with funding provided through the British aid programme—although it served many other public sector clients around the world. Today Crown Agents obtains more than 70 per cent. of its work from overseas, because that work has increased substantially. New markets continue to be identified, and the benefit of Crown Agents' professional expertise is felt in the more recent areas of development activity—for example, Vietnam, Palestine and the central Asian republics.

My right hon. Friend the President of the Board of Trade opened Crown Agents' latest buying office last year in South Africa, where Crown Agents is making an increasingly important contribution to the development of the economy. Quality assurance and inspection services have been expanded, and a joint venture company established to service the growing volume of interregional trade in that part of the world.

Perhaps the most exciting project is the Soweto skills initiative, which combines commercial shrewdness with a real contribution to development in the poorest part of South Africa. It aims to identify potential entrepreneurs from the township for attachment to UK companies and training in enterprise skills. The project is run jointly with other businesses, both British and South African; host companies have included top-flight names such as Rolls-Royce, GEC and Hill Samuel.

I consider that a fine example of the collaborative, skills-based approach that Crown Agents is now developing. By marketing the expertise that it has built up over its long and distinguished history, it enables poorer economies to develop the qualities and personnel they need to produce and maintain an acceptable and sustainable standard of living for their peoples.

More and more operations are carried out in strategic partnership with other aid institutions or providers of complementary services. Crown Agents is developing multi-disciplinary services, based on its own pioneering work, and supplies management information systems for use by clients. This year will see the installation of a new computerised purchasing system.

Crown Agents is modernising to meet the challenges of an increasingly competitive international market. It is up to Government to ensure that outmoded legal and political structures do not hold back the development of a great British success story that extends throughout the globe. Everyone appears to agree that the 1979 Act no longer meets Crown Agents' needs.

Throughout its history, Crown Agents has adapted—sometimes with the assistance of Parliament—to the continually changing environment in which it must operate. Those changes have not damaged the professionalism and integrity on

which its reputation depends; they have strengthened it, and we must not stand in its way. We believe that it is no longer necessary or appropriate for Crown Agents to remain in the public sector, with all the constraints on its work that that involves.

It is our intention to provide the Crown Agents with a legal and financial framework which will enable it to continue to make its distinctive contribution to development by meeting the changing needs of its clients while preserving the essential qualities of probity and impartiality for which it is renowned.

The Bill provides for the transfer of the Crown Agents' business from the present statutory corporation to a successor company, under the Companies Act 1985, wholly owned by the Crown and therefore still in the public sector. However, the Bill then gives the Secretary of State the power to dispose of the successor company to a new owner. It is at that point that Crown Agents will leave the public sector.

The Bill also contains provisions for the future of Crown Agents Holdings and Realisation Board. That was a separate legal entity set up in 1979 to manage and wind up the assets and liabilities of the unincorporated Crown Agents' own account business, to draw a line under its losses. CAHRB will stay in the public sector to discharge its remaining responsibilities. When the last few loose ends are tied up, the board will be wound up by the Secretary of State using his existing powers.

This is an enabling Bill. It cannot prescribe the final form that the business will have in the private sector; nor should it attempt to do so. We have, however, made our intentions clear, and I would like to put them firmly on the record.

Mr. Nigel Forman (Carshalton and Wallington) I declare a constituency interest in the future of Crown Agents, because a number of my constituents work at its headquarters in Sutton.

On the financial aspects of the matter, is my hon. Friend fully aware that the organisation will necessarily have some restructuring costs? Is he further aware that it is healthy for Crown Agents that the pension fund should be in surplus? Can he give some indication whether that situation could continue, because it would help finance some of the restructuring costs?

Mr. Baldry The pension fund and the staff of Crown Agents are very important. I hope that what I am going to say will reassure the House and my hon. Friend that we are seeking to achieve a structure which is strictly in the private sector—that is, one that does not have the Treasury straitjacket that comes from being in the public sector; a structure which recognises the contribution of the staff, protects the interests of existing staff and ensures that the Crown Agents moves into the private sector in a way that guarantees its continuing viability and that it will continue to be a great British success story.

I should like to deal with each of those issues separately. Our intention is that, in due course, the owner of Crown Agents will be a new, independent foundation with a clear developmental mission. I hope that that is clearly understood by the House.

There will be a two-stage process under the Bill. In the first stage, the Bill provides for the transfer of the Crown Agents from its present statutory corporation to a successor company, under the Companies Act 1985, wholly owned by the Crown and still in the public sector.

Mr. George Foulkes (Carrick, Cumnock and Doon Valley) Will the Minister give way?

Mr. Baldry If I may finish stage two, I will give way.

In stage two, the Bill gives the Secretary of State the power to dispose of the successor company. It will be our intention that that company will go to a new independent foundation with a clear developmental mission. It is at that

point that the Crown Agents will leave the public sector.

Mr. Foulkes The Minister was right to ask me to wait, because I wanted to ask about the foundation.

The foundation was announced by the Government in August 1993, nearly two years ago. Since then, my right hon. and hon. Friends in the other place and here have been pressing very strongly for the memorandum and articles of association to be published, so that we can see what sort of foundation it will be and what will be its purpose, structure and membership. The Government have constantly refused to do that. Can we have some guarantee that they will be published and made available to hon. Members during the consideration of the Bill in Committee, which will otherwise be a total farce?

Mr. Baldry As the hon. Gentleman knows from comments in the other place, our intention is that the memorandum and articles of association should be published as soon as possible.

There are a number of issues which are still under consideration. Perhaps I can share one with the House. Certainly I want the Committee to be as well informed as possible, but I could not give an undertaking or guarantee that the articles will be ready for the Committee stage.

Let me take one issue that we will want to discuss in Committee. One of the ways forward would be for the foundation to be a charity. In that case, one of the issues that would have to be considered is whether the foundation would have charitable status.

Since the Barings debacle, there has been a different approach towards charitable status. Prior to the Barings debacle, it was perfectly proper and sensible for the trustees of a charity to repose all its funds in a particular institution because they may have considered that to be safe. Post-Barings, we can see that that might not be the most sensible way for trustees to fulfil their fiduciary duties. They may find it more sensible to spread their portfolio of investment.

If the foundation were to be a charity—and that matter is still under consideration—and was not able to invest all its portfolio in the operating company of the Crown Agents, there might be some continuing instability, which we would wish to avoid.

We share with the whole House the desire that the maximum amount of information about the foundation should be given and made available just as soon as it can be. Nothing in the Bill should cause a scintilla of concern to any hon. Member who has a genuine interest in development policies and in ensuring that the Crown Agents continues to do the excellent work that it has done in the past.

We have given repeated assurances about the nature of the proposed foundation. We have made it clear, and I repeat again, that we have no intention of selling Crown Agents by means of a trade sale, because that would not meet Crown Agents' needs, nor would it meet the concerns of its overseas clients.

The foundation will be a company limited by guarantee. No profits from the foundation will be distributed to its members. They will be reinvested instead in accordance with the developmental objectives set out in the constitution of that foundation. The memorandum and articles of association will be very tightly drawn, to preserve and build on the ethos which Crown Agents has developed over its long and distinguished history.

The permanent members of the foundation will bring together business ability with wide experience of aid and development. They will be drawn from charities, financial and trading companies, professional and trade organisations and other aid organisations and enduring institutions. Present members of the Crown Agents board may bring their unrivalled experience of the business to the initial membership, providing valuable continuity during the period of transition.

Again, I make it clear that the Government have no intention of having any involvement in determining who are the members. Obviously, we will wish to be satisfied that the founder members possess competence and integrity. The hon. Member for Eccles looks critical. Perhaps I should explain in a little more detail.

We do not start with a clean sheet of paper. We have the existing membership of Crown Agents, together with a number of organizations—the Chartered Institute of Purchasing and Supply, for instance—and charities that have a close interest in Crown Agents. One imagines some of those organisations coming together as founding members of the new foundation.

Human nature being what it is, I imagine that at some point Crown Agents and those who take a close interest in it will come together and tell the Government, "We wish to be the founding permanent members of the foundation." The Government will not determine who those members should be; we feel that Crown Agents and others can well work that out for themselves. We shall simply be concerned to know that they possess competence and integrity, and that collectively they will meet the developmental needs of Crown Agents.

We are still considering the best structure for the foundation. As I explained to the hon. Member for Carrick, Cumnock and Doon Valley (Mr. Foulkes), a number of issues remain to be considered. We shall want to ensure that the new structure enables the foundation to fulfil its social and developmental objectives, while enabling Crown Agents' operating company to trade commercially.

As I have said, charitable status for the foundation is one of the options. It has its attractions, including oversight of the trustees by the Charity Commissioner. It also has difficulties, arising in part from the restrictions imposed by charity law on single investments. Prospective members of the foundation will have their views on this, and no final decision has yet been made.

We want to be assured that the future structure will be fully satisfactory before transfer of the business takes place. We will make sure that the fundamental objectives of the foundation cannot be changed without our agreement for a sufficient period to ensure that the new structure starts life on a proper footing. As to how long that period might be, I am certain that we can explore that in some detail in Committee. It is certainly our intention that there can be no change to the fundamental objectives of the foundation for a substantial period, so that it can start life on a proper footing and establish itself as a new entity in the private sector.

The foundation will be the sole shareholder in the operating company, which will be built on fully commercial lines. There are plenty of analogies for such a system. The Oxfam charity can operate with Oxfam Trading carrying out its business as a straightforward commercial operation whose profits are reinvested for charitable pursuits. The Wellcome Foundation carries out similar operations, too.

The operating company will be limited by shares and will service capital in the usual way; it is the operating company that will generate the surpluses which will enable the foundation to fulfil its developmental objectives.

The capital structure of the new company remains to be settled. The Bill contains provisions allowing us to make the necessary arrangements. We are keen to ensure that the new company does not begin its life overburdened with debt. We want to ensure that Crown Agents has a fair start, to guarantee the continuing viability of the business, not least because our aid programme is, and is expected to remain, a substantial customer of its excellent services. So we shall seek to ensure that the terms of transfer balance the need for a healthy rebirth of Crown Agents in the private sector with the interest of taxpayers in securing value for money for public assets.

To recap: there will be a two-tier structure, with the foundation being the sole owner of the operating company. The foundation will be a company limited by guarantee. My noble Friend the Minister for Overseas Development confirmed that in another place on 24 April. The foundation's memorandum and articles of association will be tightly

drawn up to reflect and to build on the social, ethical and developmental principles on which Crown Agents' business is based.

The operating company will operate Crown Agents' business along normal commercial lines, and will be limited by shares. The operating company will be able to pass its profits to the foundation. The foundation will not distribute dividends, but will use any profits from Crown Agents' business in pursuit of its overall objectives.

Members of the foundation, some of whom may serve on the board of the operating company, will not be appointed by Ministers. Existing members of Crown Agents will be among the founder members of the foundation. Other founder members may be drawn from a range of institutions, including finance and trading companies, professional and trade organisations, charities and other developmental aid bodies. Additional new members will be nominated and selected by existing members in accordance with the foundation's articles of association. The Secretary of State will have reserve powers, so that no change can be made to the fundamental purpose of the business, without his consent, certainly for a period of up to five years.

We are working hard with our advisers and with Crown Agents to resolve a number of complex legal issues, which will be made clear in the memorandum and articles of association. We shall make them available to Members of this House and place them in the Library.

Mr. Foulkes The Minister has spelt out the provisions for the foundation and the operating company in great detail. What he has omitted to say—I believe it is the most important element—is whether, after the five-year period, when the foundation becomes free-standing and is no longer subject to the control of the Secretary of State, anything will be written in to the rules to prevent the company selling off all its assets to a private company—Lonrho, Tate and Lyle or some other firm. Will there be safeguards in the memorandum and articles of association? They are essential; I hope that the Government will take that into account if they are not already doing so.

Mr. Baldry I suspect that the House will ultimately have to come to a judgment on that and certain other issues in this Bill. I am sure that we will hear views expressed in this debate on whether the foundation should be described on the face of the Bill, for instance.

To answer the hon. Gentleman's question: the foundation, it should be remembered, will begin with a membership comprising existing Crown Agents and people with an interest in the present ethos and philosophy of the organisation, and in its continuing success. The people who will become founder members of the foundation will all therefore be committed to Crown Agents. They will not be rapacious speculators. I reiterate—they will all be people who want Crown Agents to succeed.

As with any other group, if someone drops out, under the articles of association of the foundation the remaining members will be able to appoint someone else to join. Thus, new members will all be organisations committed to the developmental and philosophical aims of Crown Agents. No organisation will be able to get involved unless it enters as a founder member or is later appointed under the memorandum and articles of association by those who are founder members.

Miss Joan Lestor (Eccles) I am puzzled. The Minister said that the Government would not appoint people. In that case, what absolute guarantee does he have that they will be the sort of people that he describes?

Mr. Baldry I thought that I had explained that. Crown Agents will seek to get around it a number of charitable and business organisations such as the Chartered Institute of Purchasing and Supply, and perhaps the Association of British Chambers of Commerce—bodies which have a genuine interest in the work of the Crown Agents. The Government will have to look at those organisations in the round to see whether we are satisfied about their

competence and integrity to take over the foundation when the Secretary of State moves to the second stage of transferring to the foundation the company that the Bill will set up.

It is inconceivable that organisations that are committed to the developmental and philosophical objectives of the Crown Agents will not form a strong foundation that is committed to the development work of the sort that Crown Agents currently carries out. When the foundation is in place and the Secretary of State has transferred to it the company that is set up by the Bill, those founding organisations will control the foundation.

The only way in which any other organisation can become a member of the foundation is by appointment by its existing members under the memorandum and articles of association. Therefore, there is no way in which an organisation could become associated with the Crown Agents unless it was committed to the current developmental and philosophical aims of the Crown Agents.

Mr. Menzies Campbell (Fife, North-East) The Minister's speech is reminiscent of "Candide"— everything is for the best in the best of all possible worlds. However well intentioned and qualified, the people in foundations do not always hold the same views, and there are disputes. If there is a dispute in the foundation about how matters should proceed, how will it be resolved unless the Secretary of State retains some residual power?

Mr. Baldry The foundation will be in the private sector. Let there be no doubt that, when the Secretary of State is satisfied about the competence and integrity of the membership of the foundation, he will transfer the company that is set up by the Bill into the foundation. At that stage, Crown Agents will move into the private sector. It will be a company limited by guarantee, and any disputes in the foundation will be resolved under company law using the process of the memorandum and articles of association. We could all put forward worst case scenarios.

Since 1979, Crown Agents has, in effect, operated in the private sector. That was brought about in 1979 for particular reasons. It has operated successfully throughout the world because it has always had a clear purpose, commitment and idea of its work. That will continue.

Mr. Forman The debate is not overburdened with speakers. Presumably my hon. Friend wishes to draw the attention of the House to the fact that the head of the procurement division, as the briefing says, of the World bank, Mr. Scrivivan, is perfectly happy with the idea of Crown Agents moving into the private sector at some appropriate stage. He sees that as being to the advantage of Crown Agents and its clients.

Mr. Baldry My hon. Friend makes a good point, and I can reinforce it by telling the House that, as far as I am aware, none of Crown Agents' clients, suppliers or customers is concerned about what is proposed. They all recognise that the legislation will provide Crown Agents with an opportunity to move forward unrestricted by limitations that are placed upon it because it is strictly and formally still within the public sector.

We are working hard with advisers and the Crown Agents to resolve a number of legal issues. They will be made clear in the foundation's memorandum and articles of association, which will be made available to hon. Members and placed in the Library. Some people wish us to put the foundation in the Bill, but that would be unnecessary and would add nothing to what Ministers have said or will say before the Bill leaves the House.

The staff of Crown Agents are its greatest asset. They are distinguished by their courage; many staff members who have been operating in places such as the former Republic of Yugoslavia have shown courage, professionalism and competence in the broadest sense. Those qualities have been displayed in some of the most dangerous parts of the world, and 11 employees of Crown Agents received honours in the past year for delivering emergency aid to the long-suffering people of Bosnia and Rwanda. The Bill rightly protects their best interests.

Nothing in the Bill affects the application of the Transfer of Undertakings (Protection of Employment) Regulations, commonly known as TUPE. The terms and conditions of staff and the continued recognition of trade unions that are recognised at the moment of transfer will be inherited by the new company. Pension funds are held in trust, and current assets are more than sufficient to meet present and future demands. Crown Agents has no plans to alter the present arrangements. The security of trust-based schemes will be further protected by the provisions of the Pensions Bill, which is currently being considered by the House. There will be no change in the assets and liabilities of the funds when the business transfers.

During the transition, we shall take all necessary steps to ensure that clients appreciate that the quality and range of services that are offered by Crown Agents will remain unaltered. Indeed, they should be enhanced. Client confidentiality will continue to be respected, and the change in status from a public corporation to a foundation will make no difference to existing or new contractual obligations.

Nothing in the Bill should cause any concern to anyone working with or for Crown Agents or to any of its customers or suppliers. The Bill seeks merely to ensure that Crown Agents can move into the 21st century with a structure that is fit for the next century. The Bill will allow it to secure its future by freeing it from cumbersome and unnecessary constraints in the public sector while strengthening its ability to develop new commercial opportunities here and overseas.

Crown Agents is a great British success story, and we wish to ensure that its future business has a stable and enduring structure and that the success story continues. I commend the Bill to the House, and trust that hon. Members will give it a Second Reading.

Miss Joan Lestor (Eccles) I and, I am sure, the whole House thank the Minister for the detailed analysis and background he gave about the Crown Agents and about the arguments leading up to the Bill. As we discuss the Bill, it will emerge that the Minister and Conservative Members are more trusting than we are. We shall see how it goes.

5.18 pm

It is important to place it on record that debates on the Crown Agents here and in the other place have been typified, from all quarters, by genuine expressions of good will towards the organisation, as the Minister rightly said this afternoon. I welcome the opportunity to place on record our admiration for the work and the first-class reputation of the Crown Agents and its loyal and committed staff.

As we have heard, the Crown Agents is one of the world's largest international, public sector purchasing organisations. It provides the highest quality of service, advising on the cheapest and most efficient ways in which to supply projects. It continues to play an important part in the Overseas Development Administration's rather shrinking bilateral aid budget.

In recent years, those services have been supplemented by new roles, on behalf of Britain and other donors, such as ensuring the safe delivery of emergency aid, as we have heard, to the stricken areas of Rwanda and Bosnia, and providing assistance in eastern Europe and the former Soviet Union. All that is to be welcomed.

In its annual report, the managing director of Crown Agents accurately reports: "We have remained constant to our core purpose of providing financial, professional and procurement services for the economic development of our clients ... We are entirely self-supporting ... exposed to and tested by the rapidly changing market place and must deliver services which are contemporary, economic and effective." He describes the procurement business as "our engine room" and he points out that Crown Agents is "also becoming a catalyst" for change.

Without doubt, the name "Crown Agents" is synonymous with the highest standards of impartiality and probity. Crown Agents is justifiably anxious to maintain that good will and credibility which have been so carefully built up

over the years—an anxiety shared by many of its clients. The tradition of service to Britain and to other countries is now under threat, not from within the organisation, but from the Government, and it is all so very unnecessary.

The Minister paints a picture of an organisation that is unable to respond to the commercial challenges presented by a changing world because it is in some way tied by its historic structure. I believe that it is important to have fixed points in a rapidly changing environment, especially if they provide not only stability but a guaranteed quality of service, as Crown Agents does. There is, however, a strong case for allowing the Crown Agents to take on additional functions and to operate in new markets. I shall address that point in greater detail a little later.

What I cannot accept—this is the only choice put to us—is that we have either to privatise the organisation or leave it exactly as it is; I cannot accept that there is no third way. Let us make no mistake. However it is put, we are talking about privatisation, even though some Ministers have been remarkably reluctant to use the P-word. In the light of recent bungled attempts in other sectors, the House will understand that reluctance. Both in the other place and here, Ministers have talked of transfer to an independent foundation or of "a suitably formed foundation", whatever that may mean. Neither we nor the Government know exactly what that means.

We have heard about the Government's intention that Crown Agents will move into the private sector. We have heard that a successor company, wholly owned by the Crown, will be established, and will therefore still be in the public sector. We have heard that "the Bill gives the Secretary of State, with the consent of the Treasury, the power to dispose of the successor company to a new owner." Baroness Chalker had to admit, however, that "the terms of this future transfer are not specifically addressed in the Bill".—[Official Report, House of Lords, 28 February 1995; Vol. 561, c. 1410.] The Minister partly confirmed that in his speech.

As a result of this legislation, this public sector organisation will be redefined as being in the private sector. Its assets will be transferred to a company limited by guarantee. Is that not privatisation? There are many reasons why the Government have chosen this bizarre route to privatisation. I am given to understand that some Treasury Ministers favoured straight privatization—sale to the highest bidder—which would have yielded a positive financial consideration and provided the clean break from Government which is so popular in Whitehall circles. There were, however, substantial snags in that option.

For some time, strong rumours have been circulating that some of the major clients of Crown Agents, especially the Japanese Government who are its second largest client, were sensitive about a possible future takeover. They have questioned whether the high standards of probity and impartiality associated with Crown Agents could be maintained if the organisation became part of an international conglomerate. The possibility of the Japanese and others taking their custom elsewhere—that is a big part of the work of Crown Agents—could have jeopardised the sale. Concern has also been expressed about the grossly high salaries and share options that we have come to associate so clearly with British privatisation programmes.

It was as a direct result of those concerns that the Government decided to go for the unusual route of establishing a foundation which would have developmental objectives. It was not an easy decision for Ministers to take, although they now would have us believe that it is the only and obvious choice.

Once again, expensive City consultancies have been wheeled in to chew over the pros and cons. Coopers and Lybrand produced an extensive report in 1992 which has still not been made public. I understand, however, that Coopers and Lybrand recommended a straight trade sale. "They would, wouldn't they?" one might say. Since then, the Government have been dithering over the options—or considering them deeply, depending which phrase one wants to use.

I am sure that the President of the Board of Trade, for example, must have pointed out what a significant ally Crown Agents is in the effort to increase British exports. Crown Agents knows United Kingdom suppliers well and it is, in turn, accessible to them. Some 35 per cent. of aid procurement handled by the United Kingdom is sourced in the

United Kingdom. The link with British industry is worth tens of millions of pounds a year, and let us hope that it can continue. Straight privatisation would have put that relationship in jeopardy.

The choice of a foundation is unusual. Comparisons have been drawn with other organisations: the Wellcome Foundation is a prominent example which bears closer scrutiny. Like Wellcome, the Crown Agents foundation would have twin objectives, trading and development, which would be kept entirely separate. However, Wellcome has been in the news recently because of a takeover battle, and there are interesting parallels with the proposals for Crown Agents, which we should pursue.

The Wellcome Foundation is a registered charity. A trust owned all the shares in the associated drug company until 1986, when a quarter were sold. A further third were put on the market five years later. Each sale required High Court approval, because the will that set up the trust left the trustees in ownership of the company, but without the power to dispose of that ownership. As a result, the trustees had to obtain a scheme from the charity commissioners to override the will. However, it was the clear intention of Sir Henry Wellcome when drafting his will that control of the company should remain with the trustees.

The recent Glaxo bid for Wellcome shares shows how important it is to have specific provision in the articles of association to safeguard the welfare of the company and its staff, to which the Minister has referred. We must ensure that a future Crown Agents foundation is not left vulnerable as the Wellcome Foundation, which has been held up as such a good example, has been.

At the heart of our concern about the Bill is the fact that so many details about the foundation have been left hanging in the air. Despite the Minister's assurances—I am sure that they are given in good faith; but he has greater faith than I have—I am not satisfied, and I do not believe that anyone else is who is concerned about the organisation's future.

The Government still have not made up their mind about the board or the structure of the foundation. The Minister for Overseas Development has said that membership of the foundation will reflect the international character of Crown Agents' activities, and will include representatives from the corporate sector. We can do no more than speculate what that means. I presume that the Japanese national aid agency could reasonably expect an invitation to take up membership.

It is conceivable that Treasury Ministers have suggested that, whichever body assumes responsibility for overseeing the trading activities—presumably it will be the board of directors—it should be composed mainly of hard-nosed business men and women with no direct interest in, let alone commitment to, the developmental aspects of Crown Agents' work. Other Minister have expressed concern that the foundation's objectives may be changed by its members. Indeed, the Bill does not make it clear what safeguards there will be to ensure that membership of the foundation will not eventually pass into the hands of people with radically different ideas about how it should operate.

I understand that the Bill will give the Secretary of State limited reserve powers, possibly for five years, to rein in any attempt to change the fundamental purpose of the foundation. But, as my hon. Friend the Member for Carrick, Cumnock and Doon Valley (Mr. Foulkes) has already asked: what will happen after that? If we need a five-year guaranteed reserve power for the Secretary of State to stop any change in the fundamental purpose of the foundation, there must be the possibility that attempts will be made to change that fundamental purpose. Why else are the reserve powers there?

As I read the Bill, it says that, although we shall watch the situation carefully for five years, after that, open season will be declared.

Mr. Forman Does not the hon. Lady understand that the Crown Agents' strengths lie precisely in the technical, procurement and related activities that support the developmental objective? She must know that. So what possible

reason could there be for Crown Agents in the private sector, with greater commercial freedom, not to play to its strengths?

Miss Lestor The hon. Gentleman is making the same point as I. In other words, it is all a matter of faith. There is no guarantee in the Bill that what he wants and expects is likely to happen. As I have already asked, why suggest the five years' reserve powers if everything is bound to be all right? If it were certain that nobody would go in a different direction because everyone is committed, we would not need the five years reserve powers.

Baroness Chalker said in another place that members would not be appointed by the Minister, and the Minister repeated that today. However, in Baroness Chalker's words, Crown Agents is "in touch with a ... range of institutions including finance and trading companies, professional and trade organisations, charities and other development aid bodies." How can Ministers give a firm assurance that the proper balance between those different interests will be achieved if there is not control over the composition of the membership?

Lady Olga Maitland (Sutton and Cheam) I have listened with great interest to the hon. Lady's hostility to the whole idea of the private sector's having any role to play in the future of Crown Agents. Does she not accept that the purpose of the transfer is to enable Crown Agents to prosper, flourish and develop? She seems to suggest that it will be incapable of maintaining the integrity that it has shown so far. Will she set the record straight and say where she stands? Does she not trust Crown Agents?

Miss Lestor The hon. Lady has slightly misunderstood my argument. Privatisation is not the same thing as encouraging the private sector in certain areas. [Interruption.] With respect, those two things are not the same. One can privatise an organisation so that it is completely private, or one can have an organisation with elements that make it a public organisation, although the private sector is encouraged to participate up to a certain point. The second alternative is not privatisation.

It is the Government, not the Opposition, who do not trust Crown Agents. I trust Crown Agents and believe that its contribution has been unusual and welcome, and that it still has a long way to develop further. But I do not want the purposes for which Crown Agents was set up to be undermined because the Government are opting out of any control or management of it.

The Government have not set the terms for the transfer of the powers and assets to the operating company. We are told that that can be left to discussions with future foundation members, whoever they may be, once the structure is established in whatever form. Apparently the members might decide to apply for charitable status at some time in the future.

Such a lack of information is not acceptable when we are being asked to allow a Bill of such importance through the House. It shows a disregard for Parliament and a clear intention to thwart the accountability that is achieved through the system of parliamentary debate.

We know that the new company will be limited by guarantee, but we are still waiting for sight of the memorandum and articles of association that their lordships were assured would "reflect ... and ... build on, the social, ethical and developmental principles on which Crown Agents' business is based."—[Official Report, House of Lords, 28 February 1995; Vol. 561, c. 1410.] I hope that that is true, but why could such detail not have been included on the face of the Bill? The Minister said that it would not add anything, but its absence suggests to me that something is being hidden. Including the detail would have gone a long way towards addressing the real concerns of people who value the Crown Agents and want it to continue to provide the highest quality of service.

The Bill will have little effect on the working of Crown Agents in the short and medium term. It already operates in a highly commercial way, and there is no suggestion that the developmental objectives will be jettisoned at this stage.

However, after privatisation there will be two obvious changes.

First, any future borrowing by Crown Agents will not count against the public sector borrowing requirement. Secondly, Crown Agents will no longer be limited to serving aid agencies and other public bodies in the developing world. That is another of my concerns. In effect, Crown Agents' services will become available to a much wider range of organisations, including health authorities and local government bodies in the United Kingdom—[HoN.

MEMBERS: "Why not?"]

Conservative Members should not get too excited; nobody is saying that that should not happen—but I trust that the enthusiasm for new markets will not lead to too drastic a shift in market focus, and that the developmental aspects of Crown Agents' work will continue to be central to future corporate plans.

The hon. Member for Carshalton and Wallington (Mr. Forman) asked earlier about the welfare of Crown Agents' existing staff, which I understand is giving rise to some concern in his constituency. We must have assurances that there are no plans to make any staff redundant, because we have seen that sort of thing before.

Similarly, it is not unreasonable to require cast-iron guarantees that the pension rights of current and past employees will be safeguarded. I was not sure whether the Minister dealt with that question; perhaps it will come up again later. Not too long ago, Crown Agents gave itself a pension fund contributions holiday in order to break even. The rights of its pensioners must be upheld.

In another place, Lord Judd tried, with the tenacity that those who know him would expect, but sadly without success, to persuade the Government, as we are trying now, to put some flesh on the skeleton Bill. I have great admiration for my noble Friend's political skills; I have known him a long time, and he is an expert at eliciting information from the most reluctant Minister. But even he had to admit that he was up against a brick wall and getting nowhere.

We cannot but conclude that Ministers themselves are still so much in the dark about the details of this unique privatisation that they are not only unwilling but unable to give the reasonable assurances for which we ask. I found it disturbing when the Minister said that he could not guarantee that the memorandum and articles of association would be available for the Committee stage.

Surely, in Committee, it is time to probe deeper, to ask more questions and to put more flesh on the bones. Yet the Minister said that he could not guarantee that the details would be available. We are being asked to pass a measure with little knowledge of how it will work.

In my efforts to understand the thinking behind the Bill, I compared it to another Bill now proceeding through Parliament—the Commonwealth Development Corporation (No.2) Bill.

Ministers have argued that Crown Agents' business has changed so much over the decades that it has become necessary to transform the legal and financial structures in response to changing needs. That is precisely the same argument as Baroness Chalker made yesterday in the other place during a debate on the Commonwealth Development Corporation, an organisation operating in the commercial sector but from within the state sector—like Crown Agents.

Like Crown Agents, the CDC is seeking greater commercial freedom to pursue new markets and undertake additional services. Like Crown Agents, the CDC plays an important role in developmental programmes. But unlike Crown Agents, the CDC is believed by Ministers to be able to develop in the way it has suggested, without resorting to privatisation.

In the same debate, Lord Trefgarne spelt it out clearly: "it is safe to assume that CDC, following the enactment of the Bill with its amendments, will be pursuing the same objectives by substantially the same means but with important new powers to do better more effectively, at an earlier stage and in a more fundamental way."—[Official Report,

House of Lords, 5 June 1995; Vol. 564, c. 1226.]” During the debate, Baroness Chalker completely rejected the suggestion that the CDC could be privatised at some future date. That is the same argument, but a completely different conclusion. If the Government believe that such freedom would work for CDC, why not for Crown Agents? Why have they gone totally for privatisation?

We oppose this privatisation. [Interruption.] Did the hon. Member for Gravesham (Mr. Arnold) wish to make a comment? No, he just wants to sit and moan. The Government have so far not succeeded in persuading us that the proposed foundation will successfully maintain at its core a development purpose.

The Foreign Secretary's view appears to be pessimistic, if a recent report in *The Daily Telegraph* was accurate. The right hon. Gentleman is quoted as saying: “The Crown Agents are buyers and sellers for the Government overseas. But the aid budget is falling. They do a lot of foreign business and need to be free of public sector constraints. It is privatising in order to preserve.” If Crown Agents' trading fails to be sufficiently profitable, where will the funds come from to meet the developmental purpose of the foundation? That question has not been answered. The Bill is as flimsy as it is evasive, and it leaves far too much to private discretion and far too little to public scrutiny and accountability to this House. Privatisation is not the only course unless one has a slavish addiction to the dogma of privatisation, however unnecessary.

Mr. Jacques Arnold (Gravesham) The hon. Lady calls this measure a privatisation because it allows her to pigeonhole it. I find it fascinating that the hon. Lady says that she is opposed to this privatisation. In recent weeks, the Labour party has opposed what it calls the privatisation of the railways and the privatisation of the Atomic Energy Authority. The Leader of the Opposition said that the Labour party was not against privatisation, but time and time again it opposes each and every privatisation.

Miss Lestor I am glad that the hon. Gentleman has been reading some of our literature, even if he has got it wrong. What I am saying—the hon. Gentleman knows this—is that the Government say that they can do all that they want for the CDC in the Bill, and that it is not necessary to go for privatisation. But they are going for privatisation in this Bill with none of the safeguards or limits which are required to allow the Crown Agents to operate in the way it has said.

We have been asked to take the Bill on trust, and we will not even have the details of the memorandum before we go into Committee. We oppose the Bill, for the reasons which I have given. The Opposition seek to protect the benefits which the Crown Agents has brought to the developing world. It is absolutely right that the Crown Agents should have greater commercial freedom, but privatisation will not generate the trading surpluses necessary if those developmental benefits are to continue to flow. Privatisation does not give that guarantee, and the Minister unfortunately has not put any flesh on the Bill to assure us that there will be accountability.

Mr. Nigel Forman (Carshalton and Wallington) I shall be brief, Madam Deputy Speaker. I believe that the Opposition are unnecessarily concerned about the measure. The first point to make—from both a constituency and a general point of view—is that the management of Crown Agents, led ably by Peter Berry and his colleagues, very much want the measure to go through. The employees also wish it to go through, as they believe it to be the right approach for the future of Crown Agents.

5 44 pm

Mr. Foulkes It is important to correct that completely misleading impression right at the start. The Crown Agents and its board were opposed to the proposals. [Interruption.] If the hon. Gentleman reads the annual report of 1993, he will find that they were opposed to the proposals. It was only because the Government twisted their arms and threatened them with worse measures that they reluctantly went along with it.

Mr. Forman The hon. Gentleman is out of date. I have had letters from Peter Berry, and I know that the organisation wishes the measure to proceed. Mr. Berry has confidence about the future of Crown Agents on its new basis.

The Bill is welcome because it provides a flexible and imaginative basis on which Crown Agents can go forward, prosper and broaden its markets in future. It strikes the appropriate balance between meeting the concerns of some of the principal clients—one thinks particularly of the Japanese, as mentioned by the hon. Member for Eccles (Miss Lestor)—that Crown Agents should not lose the honest broker status which it has built up over the years, and the wishes of management to obtain commercial freedom and flexibility that are beyond the scope of what is available in the Crown Agents Act 1979. Therefore, it gives a correct and appropriate balance for the next stage of development.

That balanced objective should be achieved with the proposed two-tier structure which my hon. Friend the Minister set out in his admirable speech. A controlling foundation with a wholly owned operating company acting along commercial lines beneath it is a sensible way forward, and it could give the flexibility and the advantages that are sought.

From a constituency point of view, my constituents will be glad to learn that there will be no redundancies among staff working at the headquarters in Sutton. I hope very much that the pension arrangements will be left undisturbed by the proposed change so that they can be of benefit to employees and to the company by helping to meet restructuring costs. I believe that my hon. Friend the Minister said that both points would be satisfactorily addressed by the Bill.

Mr. Baldry Yes.

Mr. Forman I am grateful for that response to an important point.

This is a good Bill, which I support wholeheartedly. I have, however, two or three questions which I should like to raise now and to which my hon. Friend could perhaps reply at the end of debate, if he catches your eye, Madam Deputy Speaker. First, will the new legal framework give Crown Agents the ability to take on new clients such as health authorities and local authorities—in other words, to widen the scope of its client base? I hope very much that that will be the case, as it would be in the commercial interests of the organisation if it were.

Mr. Baldry The answer to that question is yes. One of the reasons why we want Crown Agents to move to the private sector is that—under present Treasury rules—it cannot compete for public work with firms from the private sector while it remains in the public sector. That is one of the reasons why we want Crown Agents to have this freedom.

Mr. Forman I am grateful to my hon. Friend. I am doing very well.

Secondly, how extensive will the powers of the foundation board be in relation to the operating company? I have in mind the principle of trust law, in which a trust document is drawn up which gives fairly general—but none the less prescriptive—guidance to operating companies and subsidiary organisations acting within that trust document. To what extent is it envisaged that the foundation board will have real operating influence over the operating company?

Thirdly, will the Act, the trust document or the prospectus set out the Secretary of State's reserve powers? We have heard in the debate so far that the reserve powers will exist for five years or thereabouts. It would be interesting for the House to know in exactly what circumstances such powers might have to be used. That would go some way towards answering the fair concerns expressed by the hon. Member for Eccles.

I am grateful to my hon. Friend the Minister for already answering at least one and a half of those three queries. I bring my speech to a close by underlining the key points: this is a good measure; it is worthy of support; and the Opposition are unnecessarily worried by the prospect of what they regard as privatisation but which I regard as a common-sense measure to widen the commercial opportunities of an excellent and reputable organisation.

Mr. Derek Enright (Hemsworth) May I join other hon. Members in praising the Crown Agents? When I worked in Africa, I worked with the Crown Agents, and saw the practical work that it did for the United Nations development programme. As I was a delegate for the European Commission there, I saw the

work which the Crown Agents did for the European Union. It was extraordinarily effective, because it had a reputation as an honest broker. It proved that it was an honest broker in how it carried out purchases or advised various organisations. That extremely important reputation should not be put to the test.

As my hon. Friend the Member for Eccles (Miss Lestor) said, from the moment that Price Waterhouse was brought on to the scene, suspicions were naturally aroused. I do not blame Price Waterhouse for that. It is a perfectly reputable firm with reputable jobs to do, but advising on development and how the Crown Agents fits into development is not one of its prime concerns, nor its area of greatest experience. I challenge the Minister to tell me of its previous experience in such an area, as it does not seem to have the necessary expertise.

This measure is privatisation, no matter how the Government now try to mince their words. They announced it as privatisation at the beginning and were rightly open about it. The purpose of privatisation is to put an organisation into the private sector; the purpose of the private sector is not to develop but to make money. No matter how gradually privatisation is carried out, the root of this privatisation is eventually to put profits into the hands of individuals or companies, not over the first five years but later.

Mr. Nigel Evans (Ribble Valley) The hon. Gentleman seems to forget that new Labour has now moved on, supposedly. To listen to him speak, I would not believe that the Labour party had moved one at all. He spits out the word "profit" as if something were wrong with it and refuses to accept the fact that, with the new foundation in the Bill, the profit that is made will be reinvested. What is wrong with reinvesting profit for the benefit of the people whom the organisation serves?

Mr. Enright There is absolutely nothing wrong with profit, nor did I suggest that there was. But there is a great deal wrong with profit that goes directly into the hands of greedy individuals rather than going into the wealth of the nation. It is extremely important to remember that. The Minister allayed none of our fears. He continually said that there was nothing in the Bill. There is nothing in the Bill and that is our complaint. He went on to say that that should not cause a scintilla of concern. That is an altogether splendid phrase, but what does it mean? What proof did he give us that the Bill has substance which we can trust? The Minister clearly trusts the general outline of the Bill, which is to ask for all the best in the best of all possible worlds. It is neatly and nicely expressed, but it does not spell out its intent in detail.

The only thing that is spelt out in detail is that the Government will play no part in appointing the foundation. If they do not appoint the foundation, who will they leave it to? How will the judgment be made? Will it be a succession from those who presently govern the Crown Agents? They are perfectly worthy people who do their jobs extremely well, but that gives no guarantee of the quality of their successors. The Government say that they will hold reserve powers for five years to vet any successors who are appointed. How strange to say that we shall need those powers for five years because the Crown Agents may go astray. Are the Government saying that they do not trust the present governors, but, in five years' time, when other people whom we know not are in charge, we can trust them?

The problem is that this whole exercise has been shrouded in secrecy. One has only to read Baroness Chalker's speech in another place to realise that she deliberately said that she could not reveal certain facts because that would infringe commercial confidentiality. She simply asked us to trust her. If there were one member of the Government whom I would trust, it would be Baroness Chalker. She is the most trustworthy of all the members of the Government with the exception of the Leader of the House. I do not trust the Treasury or the hard noses in the Cabinet who have not yet given up their fight. I congratulate Baroness Chalker on the fight that she has put up on a number of issues, although she is not in the Cabinet. She has pursued certain issues with great tenacity and I have nothing but admiration for her, but given the prevailing mood of the Cabinet, the Government will go for wholesale privatisation as soon as possible and nothing that has been said about the Bill so far, nor anything in the Bill, will convince me otherwise.

Mr. Foulkes I share my hon. Friend's admiration for Baroness Chalker, but we keep hearing talk about Government reshuffles in July or September, and there is no guarantee that Baroness Chalker will be doing the same job next year. Let us suppose that the right hon. Member for Stirling (Mr. Forsyth), for example, were to take over the post of Minister for Overseas Development. We can imagine what he would have in mind for the Crown Agents. So I ask my hon. Friend not to be carried away by his enthusiasm for the delightful Baroness Chalker.

Mr. Enright It is entirely possible that the Secretary of State for Wales might even take over with a place in the Cabinet, which would indeed give cause for concern.

The hon. Member for Gravesham (Mr. Arnold) said in one of his more fluent interventions—he managed to get up and say a hit instead of mumbling from the Back Benches as is his wont—that we were using the term "privatisation" in the wrong way. By doing so, he said we were accusing him of wanting to privatise the Crown Agents and he suggested that nothing had ever been further from his mind and that he hates privatisation. If the hon. Gentleman is trying to suggest that the Bill is not designed to initiate privatisation, let me quote from the first press release from the ODA, which stated: "The Government has decided to privatise the Crown Agents by transferring them to a newly created independent foundation with a social purpose and developmental objectives."

Mr. Baldry The hon. Gentleman has read that press release accurately. The hon. Member for Eccles made a bad point from the Opposition Front Bench when she suggested that Ministers have sought to disguise the Bill's intention. The purpose of the Bill is clear—it is about privatising the Crown Agents and moving it into the private sector. We have, however, made it clear, as way back as in the press release of 1993, that that process will be achieved through a "newly created independent foundation with a social purpose and development objectives." The idea that Ministers are involved in some sinister, macabre plot does not fit with the facts.

Mr. Enright The Minister is absolutely right—it is not a sinister, macabre plot, because there will be a five-year hold on full privatisation. That is spelt out in the Bill. The Minister said that the Government will ensure that the plans are tightly drawn. When I heard that, I scanned through the Bill once again. If it is tightly drawn, I shudder to think what a loosely drawn Bill would be like.

Mr. Peter Berry is a most able managing director of the Crown Agents. If one reads his successive reports, as I did in preparation for the debate, it is clear that he has been whipped along a particular path. When he was interviewed by the Financial Times, his clinching argument for being whipped along the path that the Government had chosen was that the new way of doing things meant "there will be no disincentive to be proactive." What gobbledegook. That sounds like the old Thatcherite language which the Government are trying hard to ditch. If that is the one argument for opting for that particular form of privatisation, with the ultimate aim of total privatisation, the whole thing is an absolute shambles.

Lady Olga Maitland Bearing in mind the total venom with which the hon. Gentleman talks about privatisation, can he give the House one assurance? In the event, heaven help us, of a Labour Government, would he press that Government to bring the Crown Agents back into the state sector, which would hamper its future prosperity?

Mr. Enright When we take over government again, as the hon. Lady has virtually admitted that we will do very soon, we will start from a different place. As the Irishman said, "I wouldn't have started from here".

I will not start from where the hon. Lady would wish me to start. We will have to see what is happening at that time. I hope that the five-year estop, which has been imposed, will be most helpful in ensuring that we will be able to continue to run the Crown Agents properly.

Mr. Nigel Evans Does the hon. Gentleman accept that his refusal to answer that question and the refusal of other Opposition Members to answer any questions about privatisation and renationalisation is the very reason why the

Labour party will not win the next general election?

Mr. Enright As the Prime Minister said earlier this afternoon, I am not going to answer questions in the way that hon. Members want me to answer them; I am going to answer the question as I see it.

Let us consider the disincentives to proaction. The Minister will recall that the tighter rules, of which he now complains, were brought in in 1979 for a perfectly good reason. They were originally mooted by the Labour Government because in the late 1960s and early 1970s, the Crown Agents, given the amount of freedom it then had, managed to invest in Australian property and to make rather a muck of it. One of the great things about that episode was that it proved the Crown Agents' absolute integrity in public service, because it was examined closely as a result of the huge mess it had made in Australia among other places. One department was found to have made a muck of things by making investments it did not really understand. There was, however, no dishonesty involved.

Such is the unique reputation of that public service which works closely with the private sector. The state and the private sector working together represents new Labour. That is precisely what the Crown Agents does so well now. To tip over that balance so that the Crown Agents is transferred completely into the private sector will tip the balance too far. That will unsettle an institution with a delicate balance.

Mr. Peter Luff (Worcester) I wonder whether the hon. Gentleman recalls the visit that he and I made to Tunisia—a client of the Crown Agents—last September? We saw the enormous contribution that privatised British Gas is making to the development of the Tunisian economy. Would he have made the same speech as he is making now against the privatisation of British Gas? Would British Gas have been able to make that contribution to the Tunisian economy if he had had his way then? Does he not accept that the Crown Agents should be able to enjoy the same freedom now enjoyed by that fine British company?

Mr. Enright That fine British company has just given us an example of democracy at work at the meeting of its shareholders. The former Prime Minister used to shout that small shareholders now control the world. British Gas gave us a recent example of how it controls its small shareholders, who were lured into giving up their money on the understanding that they would have some power over that company. The Crown Agents may well run amok in the same way as British Gas has done in part of its operations. That would be a shame.

I believe that one of the main factors in driving the Crown Agents into the private sector was the World bank—the bank of the old days rather than the new ones. It is a joy to know that GDZ has held out against the transfer and is likely to continue to do so.

Mr. Hugh Bayley (York) Does my hon. Friend agree that a certain contradiction is apparent from the three interventions from Conservative Members? The hon. Member for Ribble Valley (Mr. Evans) said that there was nothing wrong with profit-taking, but that, nevertheless, the Crown Agents will not be allowed to take profits but must redistribute them. At the same time, however, the hon. Member for Sutton and Cheam (Lady Olga Maitland) said that, if the Crown Agents was taken back into the public sector, its future prosperity would be put at risk. The hon. Member for Worcester (Mr. Luff) then drew a parallel between it and British Gas, which makes profits and takes profits. Does my hon. Friend agree that those Conservative Members must say clearly whether they see the Crown Agents as a privatised and profit-making business or as a public service working within the private sector. It is not clear which line the Government are taking and it seems that Conservative Members are split on it.

Mr. Enright I agree entirely with my hon. Friend.

We can go further. The real problem of the Crown Agents is the disgracefully decreasing amount of aid that this country disburses. The Prime Minister and others are fond of comparing us with the rest of Europe. In fact, if we are compared with the rest of Europe in the amount of money, in the lack of increase in money, in our reduction in

bilateral aid and in our attack on Lome, it is obvious that the home markets are shrinking for the Crown Agents, and that must be a factor.

Finally, I join the Minister in the tribute that he paid to the Crown Agents for what they did in Rwanda. I have heard personally of some of the work that they did from a friend who works there, and that work was very considerable. It did not require special effort. The Crown Agents is, if you like, a seed that has been tended and has grown to flower. It is extremely effective and can spring into action year after year, season after season; that it did to great effect in the case of Rwanda.

The destruction of the Crown Agents—for that is what it is, let us make no mistake about it—is another drain on the resources that we should be giving to the developing world. It may be a short drain, it may be a long drain, but a drain it assuredly is. It would be a tragedy if, as a result of feckless behaviour, even if it were postponed until five years' time, we were to lose the collection of expertise that exists in the Crown Agents, which I have seen working on the ground and whose headquarters, in the constituency of the hon. Member for Sutton and Cheam (Lady Olga Maitland), I visited several times when I worked in Africa.

I wish to draw a parallel. The Prime Minister was bleating, the other lunchtime, about the lack of competitive sports in schools. He failed to recognise that the impact on games was a direct result of naive and simplistic policies in other aspects of education. When I was professionally employed, teachers of Spanish, of physics and of classics would happily go out in the evening and coach teams of a variety of sports—the hockey that he so loves, cricket, football, and rugby. The changes that have been made, naively, in schools have had an impact on school sports, as many of us said would happen at the time that the changes were made.

As the present Administration is set, if I read it aright, treating the Crown Agents in that way will have a similar impact on its effectiveness. The Minister and the Baroness must tread with care.

Mr. Jim Lester (Broxtowe) It is a pleasure to follow the hon. Member for Hemsworth (Mr. Enright) because he and I have many interests in common. However, I disagree totally with what he said about the purpose of the Bill. I would not be standing here to support it if I thought for a moment that it was designed to make the Crown Agents less effective and in any way to reduce our development effort. I also share with the hon. Gentleman the trust that he has in Baroness Chalker, which I think is widely shared. Indeed, I share that trust with my hon. Friend the Minister who introduced the Bill, who also has common interests.

6.13 pm

I think that the hon. Member for Hemsworth was a little unkind about the Treasury, speaking about the hard-nosed Treasury. The Treasury and the Prime Minister have been foremost in the world in trying to relieve sub-Saharan debt. They have argued more strongly than anyone in the international forum for Trinidad terms plus. Indeed, the Chancellor did a tremendous job in Washington in proposing something that I know that he and I agree about—the relieving of debt—going as far as proposing selling International Monetary Fund gold, which is Oxfam's policy. It is hardly a hard-nosed Treasury that consistently and strongly proposes policies such as that.

When my hon. Friend the Minister introduced the Bill, he spoke about the many friends that the Crown Agents has. I admit, in my experience of development and on the Foreign Affairs Select Committee, those friends are a very select band. Most people would say that the Crown Agents is unknown, unsung and unrewarded for the efforts that the Minister described in such graphic detail and to which others paid tribute.

It might be a penalty for the Crown Agents that it has been in existence for so long—160 years—that its role has become lost in the sands of time. It has stayed in business because it has a reputation for integrity and impartiality and it has constantly adjusted to the changing circumstances in which it operates. As I see it, the Bill is another step in that direction.

It is important to realise that, since the Crown Agents Act 1979, the Crown Agents has received no subsidies from Government and has repaid £15 million of its initial debt capital.

The hon. Member for Eccles (Miss Lestor) made great play of the difference between the Commonwealth Development Corporation and the Crown Agents and the reason why they are not treated similarly. It is obvious that the CDC has a totally different role from that of the Crown Agents. The CDC, as I have seen it all over the world, has the job of investing its own money for profit. but at profit margins smaller than those of the private sector. It offers long terms of repayment. It also has a role of encouraging further investment from the private sector in developing countries, especially countries that do not attract private investment.

I cannot imagine a private sector CDC being able to carry out that role because people would simply ask, "Why does it not invest directly?" It has a catalytic role, which is crucial. The Rothschild committee in Jamaica, which brought in many American business men to revive industry in Jamaica, did not work because they expected a return in three years, and Jamaican industries simply could not make a return in three years, although they could make a return in 10 years—and have done. That is why the CDC schemes in Jamaica have been so successful.

By contrast, the Crown Agents' main work has always been as agent of independent Governments and, increasingly, aid agencies. There is no role for Government in what are properly business decisions, so I strongly believe that the transfer to the private sector of the Crown Agents will enable it to meet the needs of customers such as by removing unnecessary restrictions.

As has been said, the Crown Agents is an international business, but with a social purpose. Of course it makes a profit. It is projected to make a profit in 1994 of £800,000. I am sure that the hon. Member for Hemsworth and I would want it to remain in profit, especially if the profits are given to a foundation to re-invest in development issues. The last thing that I would want is an unprofitable organisation, wherever the profits go, because if it does not make a profit, in the end it closes down. It is crucial that that is recognised, and it is important that the foundation is set up in a way that reflects that developmental need.

As we know, the Crown Agents operates in 150 countries with representatives in 38 and has orders worth more than \$400 million world wide on behalf of clients, including the United Nations, the World bank, the European Commission and the Japanese Government. It is important to recognise that less than 30 per cent. of Crown Agents' income originates in Britain. As the hon. Member for Eccles said, although its activities are particularly helpful to small and medium-sized British firms that are trying to break into international export markets, the bulk of its business is generated world wide.

Mr. Enright I am grateful to the hon. Gentleman for giving way. I wish to probe his previous point. I believe that the Bill is too skeletal and too limited in its outlining of the foundation. Therefore, it is a question of whether one trusts the Government. I accept that the hon. Gentleman trusts the Government and I hope that he will accept that I do not genuinely trust the Government. If he were in my shoes, would he agree with me?

Mr. Lester I have always been a very trusting person and I have not been let down too often. I trust not only this Government but a subsequent Government to bring to the House the changes in the Bill and to uphold the tradition of the foundation. We must ensure that the Crown Agents' energies and efforts continue to culminate in a profit—which is a measure of its success—so that the money can be reinvested, through the foundation, in things in which the hon. Member for Hemsworth and I are interested.

We have talked about the range of issues and projects in which the Crown Agents is involved. Perhaps not everyone knows that it has improved municipal finances in China and assisted with tax computerisation in Nigeria. Many hon. Members have mentioned its significant involvement with convoys in the former Yugoslavia. I know from my own use of the know-how fund in the former Soviet Union that the Crown Agents played a vital role in that area.

The Minister referred in passing to the Crown Agents stamp bureau which provides, on an agency basis, high quality stamp programmes and design, procurement and marketing services for more than one quarter of the world's postal administrations. Perhaps the stamp collectors of the world do not fully appreciate the Crown Agents' achievements in that area.

The Foreign Affairs Select Committee has taken a continuing interest in the Crown Agents and the Government have undertaken to prepare a paper to present to the Select Committee. They are willing to look at other means of providing information about Government proposals. The Foreign Affairs Select Committee acts increasingly as the House's monitor on a whole range of issues. We are constantly concerned about a variety of matters, such as the Commonwealth Development Corporation and the Crown Agents, and I am sure that the Select Committee will jealously protect the Government's promise to keep the Select Committee informed about the many issues that have been raised in the House.

What would the foundation do, and how would it change the present system? The foundation could expand its own right business, and some examples have been given of how that could be achieved. The foundation could accept contracts from private sector clients, which it is currently unable to do in Britain, and it could accept contracts from public sector bodies in the United Kingdom other than the Overseas Development Administration. That is a valuable development for the Crown Agents.

The foundation may also take investment decisions which presently require ministerial consent, including entering into partnerships and appointing directors of subsidiaries which will free the foundation's operations. Most importantly—of course, if hon. Members do not trust the foundation, it is not as significant—it will be free from financial controls imposed by the Government. I support what the hon. Member for Eccles said about privatisation having a positive effect on British companies. I think that the foundation will be in a far better position, as it will be stronger and better able to attract overseas customers on behalf of British exporters.

The ODA has a very important interest in the success of the Crown Agents because it undertakes about 95 per cent. of ODA finance procurements. Of the procurement done by the Crown Agents for the ODA in the past three years, about 45 per cent., by value, in each year has been in core countries. It should be recognised that the ODA has a keen interest in ensuring that the Crown Agents continues to work on its behalf. I do not believe that the disaster relief committee could have operated effectively without the Crown Agents' expertise in delivering humanitarian aid which has expanded enormously. I am sure that the Bill will make a great deal of difference in that area in future.

All hon. Members recognise that the real value of the Crown Agents lies not in its physical assets, but in its personal assets—the people, the traditions and the concepts under which it operates. It has undergone major restructuring in recent years and costs have been cut. I welcome the Minister's response to my hon. Friend the Member for Carshalton and Wallington (Mr. Forman) that there are no plans for any further redundancies. It is now a matter of expanding on the present basis.

It is also important to recognise that important key clients, such as the World bank, the European Union and the Japanese, in particular, are satisfied that the Crown Agents' business will continue to be viable once it has changed.

As I said earlier, more than 70 per cent. of the Crown Agents' business is derived from developmental sources other than Britain. It is a remarkable achievement for a British agency to attract that degree of support, and it bodes well for the foundation's future. It has satisfied its clients that the confidentiality of its relationships with them will be fully respected.

In conclusion, I turn to the question of pensions. Whenever there is a change in status of a body—particularly one as involved as the Crown Agents—it is extremely important to reassure those who have given and who continue to give their services to the agency about their pension provision. I accept the Minister's assurance that the assets of the

current pension funds 'are well ahead of what is needed in order to support the current pension base. There are no plans to change the present pension arrangements. The value of a pension surplus is a very important part of any transition and it is vital to hold together the people who have such a successful track record.

I support the Bill. We must ensure that the foundation has a very clear developmental role. We must also make sure that, when the Crown Agents is released from government control, it will continue to have a developmental impact and to give its expertise freely throughout the world. It must use the resources that it generates to continue to perform the valuable work of a foundation which has a long-term social developmental objective.

Mr. Menzies Campbell (Fife, North-East) The hon. Member for Broxtowe (Mr. Lester) speaks with great authority and from a considerable reservoir of knowledge about developmental matters. It is a matter of genuine regret that I do not find myself of the same cast of mind as him this evening.

6.27 pm

All hon. Members agree about two things: first, that warm and generous tribute should be paid to the Crown Agents for its past and continuing work; and, secondly, that we should propose the early canonisation of Baroness Chalker. No doubt to her considerable alarm, she seems to have attracted uninhibited support and congratulations from both sides of the House.

I doubt that the House has been asked on many previous occasions to approve legislation that has been drawn in such exiguous terms. Perhaps we should congratulate the Minister on managing to get through his speech without showing any of the embarrassment to which the saintly Baroness Chalker admitted from time to time during the debate in the House of Lords when she was quite properly pressed about matters of detail and found herself unable to answer the questions.

The debate would inevitably have been better informed had we all had access to the Coopers and Lybrand report. I understand that it has not been given a wide circulation, nor indeed has it been leaked in the past 24 hours on the grounds of commercial confidentiality. Of course, commercial confidentiality is a proper basis for the restriction of circulation of documents, but it normally applies to financial matters.

I cannot understand why a report, which no doubt contains important sections on structures, could not have been released, at least in respect of the structures. It would have been a matter of great interest to all right hon. and hon. Members to know precisely what Coopers and Lybrand said about the foundation and the relationship between the company which is to be formed and the foundation. It is a matter of regret that we have not seen the report, even in a bowdlerised form which would have allowed us to make a more informed judgment about the nature of the proposed structures.

The structures are extremely unusual. We have passed the arid debate over whether or not it is a privatisation. It is now generally agreed that it can be described as a privatisation. It is a pretty unusual one, however, because, so far as I know, none of the others have been accompanied by the creation of a foundation.

In the light of the events in the past week or so, it takes a certain amount of nerve to refer to the gas privatisation as a paradigm of privatisation and something to which we should all aspire. Considering the matter from a structural point of view, it is notable that when the gas industry was privatised, no one found it necessary to create a foundation in advance of the privatisation.

Mr. Jacques Arnold The hon. Gentleman talks about the paradigm of British Gas and its good works. Would not the environmentally friendly development of gas in Kazakhstan be a particular example of those good works? Would not the massive improvement to the urban gas network in Buenos Aires and to pipelines elsewhere in Latin America represent other good works which would never have happened in the bad old nationalised industry days?

Mr. Campbell The hon. Gentleman believes in the gospel according to privatisation, but those who attended the British Gas annual general meeting last week took a rather different view. It takes a particular courage in the House this week to suggest that everything that happened in the name of the privatisation of the gas industry has been perfect.

I return to structure. The fact that it has been found necessary to introduce that intermediate step is in itself an acknowledgement that the privatisation is rather different in character from any of the others. Ultimately, it comes down to a question, as some have said, of trust and, as others have said, of belief.

I do not believe that the legislation has provided the House with sufficient detail about the disposal of the business and the future character of the foundation. That was clearly part of the rather concerted, and some might say successful attack mounted by the Opposition in the other place.

There will be no parliamentary scrutiny of the transfer to the successor business. I understand that an amendment was proposed in the other place which was not accepted and which would have allowed for scrutiny at that time. I cannot imagine why the House could not consider such an issue at that stage, but no doubt we may be told why in due course.

One is left with the overwhelming impression that what we have here is enabling legislation—admittedly, so described—that provides inadequate details of precisely what may result in the end. One is drawn to the conclusion that it would almost be better to have a privatisation such as the gas privatisation as that would force the Government to come clean about precisely what they intended to do and there would have to be legislation setting out all the details that we are now denied. In those circumstances, we would have to have the very detail being denied to us at the moment.

I shall not detain the House any longer. I do not doubt the sincerity of the Minister, but he is asking the House to take too much on trust, and for that reason I shall certainly advise my colleagues to vote against the Second Reading of the Bill.

Mr. Peter Luff (Worcester) The debate has at least two characteristics in common with the debate on the Bill in another place. The first is that it has been an opportunity for general expressions of admiration for my noble friend Lady Chalker. I am delighted that the hon. Member for Hemsworth (Mr. Enright) paid tribute to her, as did the hon. Member for Carrick, Cumnock and Doon Valley (Mr. Foulkes), my hon. Friend the Member for Broxtowe (Mr. Lester) and, most recently, the hon. and learned Member for Fife, North-East (Mr. Campbell). That was one characteristic of the debate in another place.

6.34 pm

Mr. Enright May I emphasise the fact that in the present bunch of Ministers Lady Chalker shines out like a beacon?

Mr. Luff She is one of the many causes for celebration about the Government, and another is my hon. Friend the Under-Secretary of State for Foreign and Commonwealth Affairs, who opened the debate and who will reply to it.

Another characteristic of the debate, as in another place, is that it is clear that the activities of the Crown Agents command widespread and universal support. There was a mood both here and in another place that nothing should be done to inhibit it from continuing to perform its valuable role and that it should be encouraged to develop and expand that role.

I first became aware of the Crown Agents through my interest in stamp collecting, as you probably did, Mr. Deputy Speaker. During the recent recess I browsed through the collections of my father and grandfather and wondered how many stamps in those alburns had been procured as a direct result of activities of the Crown Agents.

We have been reminded on a number of occasions that the Crown Agents remains responsible for the stamps of about one quarter of the world's postal administrations. Perhaps that simple fact led a number of journalists to jump to the wrong conclusions about the Bill.

We read in *The Times* on 12 November 1994: “The scrapping of the Post Office plans”—the plans to privatise the Post Office—“prompted the Prime Minister to back down his earlier opposition to proposals to privatise the Crown Agents. Plans to allow the Crown Agents to leave the public sector were shelved earlier this week after Mr. Major and Cabinet colleagues decided that it would provoke damaging opposition. However, last week's Post Office decision revived calls from senior ministers ... to let the Crown Agents go into private hands.” That is a bizarre conspiracy theory by any standards. The article continued: “The plan to privatise the body will prompt fears that Britain will lose some of its international influence, and in particular lead to a decline in foreign investment in Britain.” However, quite the opposite is true. The Bill is necessary to enable the Crown Agents to continue to perform its excellent work.

The *Daily Telegraph* fell victim to the same conspiracy theory: “A scheme the plan to privatise the Crown Agents has been revived by the Government after the collapse of plans to sell the Royal Mail.” I do not understand how any serious journalist can sustain that argument. My hon. Friend the Minister made it clear that the privatisation is not one from which any revenues will flow to the Exchequer. In no sense can it be construed as enabling us to fund tax cuts—not that I accept that as an argument for privatisation. It is a privatisation strictly on the merits of what freeing up an organisation will enable it to do.

The Crown Agents currently operates at no cost to the taxpayer, and since its incorporation in 1979 it has received no subsidy either. How many of the current privatised industries could say that? It has paid about £20 million in capital and interest to the Government and the only modest cash flow resulting from privatisation is the repayment of some £2 million in debt. The privatisation is being carried out because it is right for the organisation.

The Crown Agents is a crucial part of the aid programme. It may be true, as a number of hon. Members made clear, that about 70 per cent. of its business comes from foreign principals and only about 30 per cent. from the British Government. But the Crown Agents' role within the British aid programme is still crucial. It must be allowed to flourish and continue to perform its role to the best of its abilities.

We know that the British aid programme is one of the most effective in the world; that can certainly be said of our bilateral aid programme. The United Kingdom is a member of the development assistance committee of the Organisation for Economic Co-operation and Development. Part of the departmental report of the Foreign and Commonwealth Office reads: “The Development Assistance Committee periodically reviews the aid programmes of its members. In 1994, the UK aid programme was reviewed, and was commended on its highly concessional, business-like bilateral aid programme largely oriented towards the poorest developing countries.” The Crown Agents is extremely important to that aid programme.

Three bodies are especially important—I may have overlooked others—each of which the Government are wisely treating slightly differently. Apart from the Crown Agents, there is the Commonwealth Development Corporation and the British Council. The council, which often seems to be simply an education organisation, has an important role to play in the aid programme. I shall quote again from the Foreign Office report. It states: “In 1994–95 ODA will provide some £33.7 million for the British Council and the grant-in-aid arrangements. These resources are being used to implement programmes in developing countries that achieve objectives central to British aid policy. Priority has been given to human development, environmental protection, health and population activities, open and accountable government and economic policy reform.” The British Council operates on essentially a non-commercial basis with grant in aid from the Government.

The week before last, I was in Barcelona as a member of the Select Committee on Welsh Affairs. I am delighted to say—[Interruption.] I can assure the House that I and other members of the Select Committee were there for good reasons. I learned in Barcelona that the British Council's language teaching operations are paying for the cost of its overall activity. The council may not be a strictly commercial organisation but it is performing well.

Mr. Foulkes The House needs to know—those of us who are sitting through this long debate will find it fascinating to know—why the Select Committee on Welsh Affairs was in Barcelona. I hope that its members, especially those who are Conservative Members, took on board how successful devolution has been in Spain, as it has in other countries. It is—

Mr. Deputy Speaker Order. This is all extremely interesting but the hon. Member knows that he is going wide of the debate.

Mr. Luff Much as I would like to respond to the hon. Gentleman's intervention, Mr. Deputy Speaker, I do not want to stretch your patience.

Another organisation that plays a crucial role apart from the Crown Agents is the Commonwealth Development Corporation, which essentially provides concessional loans to enable the private sector to develop within the developing world. The Government have said—in my view, rightly—that such activity should not be privatised. It is important to remember, however, that the Government have said that the CDC's activities should be market tested.

The Crown Agents falls into a third and distinct category from the two other organisations that I have mentioned. The Financial Times has described the Crown Agents as one of the world's "biggest purchasing organisations". It has a considerable role in aid delivery. In the 1993 annual report, the managing director of the Crown Agents stated: "Increasingly, as aid becomes subject to a more detailed cost-benefit scrutiny than in previous cycles, we find ourselves able to demonstrate our effectiveness on several levels. Our cost effectiveness in the actual spending of aid is self-evident. Yet we can also monitor the aid process, interfacing between donor and client to provide surety to each that their money is being well spent, and we can manage and train recipients to handle effectively and accountably the funds made available to them." I am not one of those who believes that the quantum of the aid budget is the sole measure by which we should establish whether the Government have a responsible attitude to the developing world. My hon. Friend the Member for Broxtowe reminded us of the excellent work that is being done by my right hon. and learned Friend the Chancellor of the Exchequer and my right hon. Friend the Prime Minister on debt relief issues, especially in sub-Saharan Africa. The International Monetary Fund has been called upon to dispose of part of its gold stocks. A significant aid budget is, however, an important part of our contribution to the developing world. It is crucial that our constituents should feel that the money is well spent.

One of the most important factors that would undermine the support enjoyed in the country as a whole for the aid budget would be any feeling that the moneys directed to it were being badly spent. We have already heard that the OECD regards the British overseas aid budget as well spent, and a crucial role is played by the Crown Agents in ensuring that the moneys are well spent. We must not undermine that activity.

The Crown Agents is an extremely large organisation; it is much larger than most people realise. It serves about 150 different countries and provides a range of services to aid agencies beyond the British Government—for example, the United Nations, the World bank, the European Union and, especially, Japan. It has carried out work for many large public sector organisations throughout the world. I have talked to one or two representatives of those who have benefited from the services of the Crown Agents. I have been delighted to hear of the support that its work enjoys among many organisations and of the strong feeling that the organisation represents excellent value for money.

A bewildering range of projects is pursued by the Crown Agents, which ranges from bank training in Tashkent to humanitarian relief in Macedonia. Its work is expanding into banking. In the 1994 annual report, the managing director, Peter Berry, stated: "Through Crown Agents Financial Services Ltd ... we are developing and expanding our role as a recognized specialist provider of banking financial advisory services relating to the disbursement of development aid and the financial control of development projects." As I have said, Crown Agents is a bewilderingly large organisation. Most of its activities are closely related to the private sector. Indeed, it has a close and intimate relationship with the privatisation process itself. In the 1994 annual report, an entire page is dedicated to its work on

privatisation and commercialisation. In the context of the Bill, it is worth examining what it is doing in more detail. We read that lecturers of the Crown Agents are delivering a series of courses at the Moscow Institute of Privatisation and Management “to train the Institute's own trainers in passing on further instruction ” We read too that the Crown Agents' "legal advice" is helping “in setting up privatization trust funds in Kenya, Tanzania and Uganda.” We read also that the “Administrative Staff College of Nigeria is in the forefront of enhancing the professionalism of that country's management cadre.” The Crown Agents has a close involvement in that work.

The business sector review tells us that the Crown Agents has been “engaged in a major economics consultancy project for Japan's OECF to assess the progress of privatization in Ghana, for which we formed an Anglo-Japanese team.” It is active also in Sarawak with its economic development corporation.

Mr. Nigel Evans Does my hon. Friend find it bizarre and ironic in many ways, especially in the light of the debate and given some of the remarks of Opposition Members, that all the countries that he has mentioned can recognise the benefits of privatisation? It seems that only Opposition Members are unable to do so.

Mr. Luff My hon. Friend is exactly right. The Crown Agents is one of the many forces involved in exporting Britain's most successful product—privatisation—around the world. The process has been emulated by virtually every country on the globe.

I return to the review from which I was quoting. The Crown Agents is active in Romania. The review reads: “We organized in-country seminars for the Romanian State Ownership Fund, covering the creation of a market for stocks and shares.” An organisation that is so closely committed to privatisation surely deserves to be privatised itself. I believe that the process would richly enhance the organisation's work.

It is important to remember that Crown Agents is not an organisation that deals only with commercial issues. It has a crucial role to play in humanitarian assistance in former Yugoslavia and elsewhere. It is part of the United Nations emergency response to the flight of over 1 million Rwandan refugees across the border of Zaire. The Crown Agents review tells us that its “logisticians and equipment were airlifted to Zaire to help with ... operations and transportation.” It has been involved also in Croatia and Malawi where it “handled the procurement through our Durban office of maize for drought-affected Malawi, funded by the ODA.” It has been active in Angola “on behalf of the Japanese government.” The review tells us that it “purchased major medical equipment and ambulances for Uzbekistan.” Technical assistance was provided in the Philippines. The Crown Agents has been working in Bosnia and humanitarian aid has been delivered to Macedonia. It is interesting that it is involved with the ODA in a major project. I shall quote again from the 1994 annual report: “We ended the year in discussions with ODA about plans to provide a full-time emergency response unit, based in Sutton but on permanent standby ready to deliver an immediate logistics response anywhere in the world, with full head office back-up.” Many hon. Members have, rightly, drawn attention to the principal asset of the Crown Agents—its staff. That is certainly the case and the country has every reason to be proud of them as well.

As Baroness Chalker reminded the House of Lords on 28 February, over the past year, some 11 members of staff of the Crown Agents have been honoured for their work in both Rwanda and the former Yugoslavia. We can say with confidence that, had it not been for the work of the Crown Agents, many more lives would have been lost in both those countries.

I am a little surprised not to have had an intervention yet from an Opposition Member to ask, "If it is so successful, why change the basis on which the organisation works?" I believe that it is important to do so for two separate but important reasons. First, I believe that it needs a greater independence than it enjoys at present. Secondly, I believe that it needs to be made more responsive to the needs of its customer base, which privatisation always achieves.

Let us take the issue of independence. We have heard that some 70 per cent. of the work of the Crown Agents is now conducted for non-United Kingdom principals. We have heard that the use of Crown Agents by the ODA has declined but remains very important in the delivery of its aid programme.

In the Financial Times, though, Mr. Peter Berry, the managing director of the Crown Agents, said, on 26 August: "When you need ministerial consent to do anything materially different from the act that governs us, then there is 'a stop in the mind' against doing it. It will be very different going back to a board. There will be no disincentive to be pro-active,"—" I apologise to the hon. Member for Hemsworth for the use of that word, but it is in a quotation from Mr. Berry.

Mr. Berry continues: "Accountability will be closer to home. It will also be easier to demonstrate to doubters that it is independent of government pressure to 'buy British'." We have heard a great deal from Opposition Front Benchers about the role of the Crown Agents in encouraging a "Buy British" policy. I fully acknowledge that, being based in Britain, and with a large number of ex-British colonies, with members of the British Commonwealth among its client base, there will be a strong tendency to buy British, but, nevertheless, with about 70 per cent. of its business coming from non-British sources, foreign Governments want an assurance that there is not an excessive bias in the Crown Agents work to British suppliers. The independence that privatisation will bring to the organisation is hugely important and will help the organisation to flourish again.

What about responsiveness? A very interesting point indeed, which, I am glad to say, was raised by the Opposition Front Bench, is the ability of the organisation, as a result of the privatisation, to start to provide services within the United Kingdom. I think that that will be an extremely healthy development indeed. Other important United Kingdom purchasing organisations have need of the services of an organisation such as the Crown Agents. That is extremely important. We know that privatisation brings responsiveness to the customer.

Opposition Members have laughed and sneered at some of the examples of privatisation, but that is simply unfair. Only this week in my postbag I received a publication from BT, in which it told me: "On average, a BT customer is now unlikely to experience a network fault more than once every five and a half years, or experience more than one inland call in 200 failing because of the network." We do not have to cast our minds very far back to remember the old state-owned BT, and remember what a radical transformation there has been of the particular organisation.

What about public payphones?

Mr. Bayley Does the hon. Gentleman accept that it is by no means a one-way street in terms of public attitudes to BT? Earlier this week, I received a letter from one of my constituents, who complained that the telephone directories are no longer published promptly. He had been looking for the number of a company in my constituency. He was unable to find it and so was unable to get in touch with it to offer it business, because the latest telephone directory for my constituency is now 18 months old.

Mr. Luff I am looking rather nervously at you, Mr. Deputy Speaker, and wondering what you will make of this diversion into the ways of BT. As I have started, I think that I had better finish.

I am glad to say that I have had no such similar complaint. Telephone directories in the Worcester area are a great improvement on the old directories. The business pages are now separate from the residential pages. That, again, is another example of the enhanced responsiveness that privatisation brings to organisations such as British Telecom and will, I am sure, to the Crown Agents.

Mr. Jacques Arnold On the matter of telephone directories, is not the problem, perhaps—

Mr. Deputy Speaker Order. Telephone directories are nothing whatever to do with the Bill. We should get back to the debate on the Bill.

Mr. Luff Bearing in mind that ruling, I shall not refer to the vast improvement in public payphones that has resulted from the privatisation of British Telecom. It is important to remember that privatisation can put organisations into a world-class position. I am sure that that is a position that Crown Agents already enjoys, but I am sure that that position will be enhanced if this process continues.

I was interested to read—I shall make this very brief comment, Mr. Deputy Speaker—that BT is now about to become “the first operator to abolish unit charging across its entire network, increasing almost threefold the number of telephone lines”—”

Mr. Deputy Speaker Order. The hon. Gentleman is trying my patience now, whether he is being brief or not. He must get back to the Bill.

Mr. Luff I hear what you say, Mr. Deputy Speaker, and of course I shall respect your ruling, but the point is that privatisation of the Crown Agents will bring benefits to the organisation, the staff and its customers. Every privatisation that we have so far had in this country has shown precisely that pattern, and the pattern will be repeated when the Bill is enacted.

I see no problem whatever with moving the Crown Agents into the private sector, but I have some questions to ask the Minister about the structure of the privatisation that is envisaged, not in the Bill, as has been made clear, but in the process that will follow after enactment—the transfer of Crown Agents to the foundation.

I have heard it suggested that one of the principal reasons why the Government have followed this proposed route of privatisation is because the Japanese Government, the second largest customer of Crown Agents, were unhappy about the prospect of a full-blown privatisation and then having to deal simply with another private sector organisation. I do not know whether that is right, but the foundation's structure, which has been set up—not in the Bill but in ministerial speeches that have accompanied the Bill—is novel, to say the least.

I share some of the reservations that have been expressed about the absence of detail, and particularly about the absence of memoranda and articles of association of the new Crown Agents. I hope that the novel structure does not represent a loss of confidence in privatisation itself. Given the success of privatisation, I am sure that we would not want to send that message to our constituents.

Where does the idea for the foundation come from? Has it come from the Crown Agents? It seems to me, from reading some of the material in preparation for this speech, that Crown Agents has introduced the idea of a foundation, or was the idea driven by the Government? Will the foundation that the Government promise be sufficiently commercial?

The Financial Times described the foundation as having a structure “similar to the Wellcome Foundation, the health insurance groups PPP and Bupa, the motoring organisations the AA and the RAC and the British Standards Institute.” An official at the ODA, to which the Crown Agents answers, said that it will be entirely commercial in its approach and will be expected to make a return, but profits will be ploughed back into the agency. It will answer to a board of directors, which will be selected from a cross-section of its users, including foreign aid agencies and exporters. By not exposing it to the pressure of shareholder interests, it will be able to act more easily in its own interests and in the interests of clients in the developing world.

One of the advantages of privatisation is that companies become responsive to shareholder interests. I worry that perhaps the Government have not gone far enough in this particular privatisation.

The board of the Crown Agents said, in its 1993 annual report, that it recognised that the preponderance of non-UK clients “might make it more desirable for the ownership of the Crown Agents to reflect a wider base than that of UK Government. As an alternative, the Board therefore recommended that the business and assets of the Crown Agents should be transferred to a specially formed foundation.” That seems to suggest that the drive for this has come from the Crown Agents itself.

I worry about the details that we have so far about the foundation. We read that it will have a two-tier structure with the foundation being the sole owner of the operating company. Does that mean that the foundation will be able to purchase other organisations with broadly similar objectives to Crown Agents?

I worry whether Crown Agents will indeed be able to register as a charity, and whether that is the right route if trading is the major activity. I know that that issue was discussed in another place, but I do not think an entirely satisfactory answer was given.

I welcome the fact that the memorandum and articles of association are to be tightly drawn up to reflect and build on the social, ethical and developmental principles on which the Crown Agents business is based, but those have not yet been published.

I also read among the conditions of the new foundation that the operating company will be able to pass its profits to the foundation. The foundation will not distribute dividends but will use any profits in the Crown Agents business in pursuit of its overall objectives. Does that mean that such profits can be applied to activities outside those of the Crown Agents in new companies, new organisations or other kinds of activity?

I would also appreciate more clarification on the members of the foundation. We read that they are not to be appointed by Ministers in order to guarantee the independence of the organisation. I presume that that means—I think that I understood my hon. Friend the Minister to say this in his opening remarks that—the current members of the board of Crown Agents will appoint the new members of the foundation.

Mr. Baldry indicated dissent.

Mr. Luff I see my hon. Friend shaking his head so I must be wrong, but I should like to know how the members of the foundation will be appointed. We know who will not do it, but who will do it?

If anything, although the Bill might go far enough, the follow-on procedures do not. I, unlike the hon. Members for Eccles (Miss Lestor) and for Hemsworth, would have preferred a full-blown trade sale of the organisation to a reputable body with a carefully drawn memorandum and articles of association, perhaps, as a quid pro quo, with a golden share for the Government lasting rather longer than the five years envisaged as part of the foundation treatment. That would give the Crown Agents the true freedom that it needs to win the battles in the world.

The Bill is much better than the status quo and I have no hesitation in supporting it in the Lobby tonight. However, I hope that we are giving the Crown Agents a sufficiently free rein.

7 pm

Mr. Nigel Evans (Ribble Valley) I am extremely grateful for the opportunity to take part in this important debate. I declare my interest as a former stamp collector. No doubt, at some stage, I too managed to collect stamps from around the world which were purchased and provided by Crown Agents. In addition, I do not intend to be the only one this evening not to give my support to Baroness Chalker for her fine work in bringing forward this valuable and important legislation.

Much has been said this evening about the concept of privatisation. My hon. Friend the Member for Worcester (Mr. Luff) referred to the theory going around that the legislation has been brought forward because of the lack of such legislation for the Post Office. That is arrant nonsense. Even to compare the two privatisations is ridiculous. I, like many of my hon. Friends, would have far preferred to see the privatisation of the Post Office, with certain provisions for rural areas, to allow it to prosper and flourish in the private sector. That is not to be, but the privatisation of Crown Agents has nothing to do with the attempt to privatise the Post Office. It has been brought forward on its own merits and should be supported on its own merits.

Much has also been said this evening about the profit motive and about whether an organisation such as Crown Agents should be allowed to make a profit and, if so, what it should do with that profit. It is vital that we encourage Crown Agents to be as profitable and businesslike as possible. As has already been said, its profits will be reinvested in the good work of the organisation. Baroness Chalker said in the other place that no dividends would be given to shareholders per se, but that the money would be reinvested in the Crown Agents' good work.

Crown Agents has a long history. Before 1979 it was unincorporated. The current Act gives it a strong regulatory framework, following some misguided forays on its own account which came to light in the mid-1970s. Since 1979, Crown Agents has been profitable and has received no Government subsidy. There is no good reason for it to remain in the public sector. It is a truly international organisation with a fine reputation, as we have heard. We must ensure that, whatever changes are made, that reputation remains untarnished and its good work continues.

The Overseas Development Administration is no longer the largest client of Crown Agents. As we have heard, it provides only 30 per cent. of its current business. Crown Agents needs greater freedom to take business decisions, while its clients, including, the ODA, look to it to maintain the highest standards and impartiality for which it is rightly renowned.

Mr. Bayley I am sure that the hon. Gentleman did not intend to mislead the House when he said that the British Government were no longer the Crown Agents' biggest customer. They are, of course, the Crown Agents' biggest customer, but no longer its only customer.

Mr. Evans I am extremely grateful to the hon. Gentleman. I obviously would not wish to mislead anyone. I simply put it on the record that 30 per cent. of ODA money will go through Crown Agents.

The interests of clients and aid programmes would be well served if the organisation could operate with greater freedom than the Crown Agents Act 1979 allows. Therefore, it should be accepted on both sides of the House—I was surprised to hear some of the reservations expressed tonight—that the 1979 Act is out of date and needs to be changed along the lines suggested by the Minister.

As we have heard, Crown Agents is a major international supplier of procurement, financial management and technical services to clients in some 150 countries, including bilateral aid donors and multilateral agencies such as the World Bank, the United Nations and the European Union. It plays an important role in assisting the Overseas Development Administration to implement the bilateral aid programme. Crown Agents is a vital aspect of developing the third world. Its agricultural assistance—crop storage and development—energy advisory service, power generation distribution and water supply and sanitation systems all add up to a highly proficient package for those who need it.

That sterling work includes the safe delivery of emergency aid in Bosnia and Rwanda. The Library research paper documents clearly some of the excellent work done by Crown Agents. I was in Croatia in December and I went to Pale in the previous January to see some of the work being done there. I am sure that the House knows of the devastation currently being visited on that region. We all wish that the peace process was more constructive, and we must be realistic about the problems faced in that region. We should applaud the work of Crown Agents in that regard

because it is one of the unsung heroes of the conflict. Everyone talks about the work of other agencies, but Crown Agents is rarely mentioned. Its work in ensuring that aid gets through is vital. I wish that it did not need to be there in the first place.

From what I have heard today, it is clear that Crown Agents is a good organisation which needs to be freed up, but freed up in such a way that it fulfils the important social and developmental objectives that we all share. As we know only too well, today everyone has to pay his or her way and it is right that Crown Agents should do so, too; it should trade fairly and profitably. We must accept that this is an era of rapid change in world trading patterns. My hon. Friend the Member for Worcester referred to the way in which the world has changed and other countries' privatisation policies, and Crown Agents must square up to that. There are new challenges to be faced throughout the world.

One need think only of the finalising of the Uruguay round and the establishment of the World Trade Organisation to realise that there has been a phenomenal change in world trading patterns in recent years. It is the Government's duty to see that Crown Agents is in a position to benefit from those changes and to improve its commercial activities. That is what the Bill does. It is an enabling Bill, in effect transferring Crown Agents to an independent foundation.

The Bill provides enabling powers for the Secretary of State to vest the corporation's assets, rights and liabilities in a Government-owned share company and, in time, to an independent foundation. The company will thus be transferred. The present statutory corporation will be dissolved once its remaining functions have been satisfactorily discharged. That seems perfectly reasonable to me. The new way forward for Crown Agents appears to be commercial, although not in a revenue-raising sense; the £2 million of outstanding debt is likely to be paid off, but little else will be. That is why the suggestion that this is the privatisation to replace that of the Post Office is ridiculous. The Crown Agents will answer to a board of directors, which will be selected from a cross-section of its users, including foreign aid agencies and exporters. That, too, strikes me as a fine idea.

Throughout the discussions on the future of Crown Agents, I have been as delighted by the attitude of my right hon. and noble Friend the Minister for Overseas Development as everyone else. She has heeded two key aspects when changing the structure of the organisation: consultation and flexibility. The consultation process has been comprehensive. The Minister announced her intentions back in August 1993, giving plenty of notice to interested parties who might wish to contribute to the mechanics of the Bill. The Bill clearly allows for considerable flexibility in its implementation—which should be welcomed, rather than subjected to the criticism offered by Opposition Members.

The changes advocated by the Bill will maintain the "honest broker" status of the organisation. I hope and expect that the Crown Agents' 18 overseas offices and UK-based marketing force will continue to provide their splendid monitoring service of central tender boards. That is best done via a broadly based organisation. No doubt the agency will continue its role in eastern Europe and the former Soviet Union. I recently visited both Moscow and the republic of Azerbaijan—not, I hasten to add, with the Select Committee on Welsh Affairs, but under other auspices—and I saw the gains to be made from the training of staff in procurement agencies in those states. I saw definite benefits for agriculture, energy, health and transport.

It is plain that the core of the Crown Agents' business is buying, and that its other activities ultimately support the buying activity. Surely that is an ideal set-up for the kind of changes that the Bill will bring. Greater autonomy will allow the multi-disciplinary nature of Crown Agents to blossom—in particular the technical services, which allow the work of the aid programme to flourish.

I fully support the Government's aim to recreate Crown Agents as an independent foundation with a social purpose and continued developmental objectives. In addition, Crown Agents will no longer be limited to serving aid agencies and other public bodies as its present constitution dictates: in fact, newly established private corporations in the developing world, which used to be Crown Agents' clients when it was Government-owned and would like to

continue to be supplied by Crown Agents but are prohibited by its present constitution, will be able to become its clients again when the Bill is enacted.

Many of the Crown Agents' former trainees now occupy positions of great importance for UK exports, including directorships—or their equivalent—of Government supplies in countries as diverse as Sri Lanka, Malawi, Saudi Arabia and Papua New Guinea. I am sure that their loyalty will continue with the new agency. I have been fortunate enough to visit both Malawi and Sri Lanka—although, again, not with the Welsh Select Committee—and have observed that the wisdom of Crown Agents is vital to the development of those countries' infrastructure.

I was in Malawi last summer, just before the general election there—the first election held in Malawi for more than 30 years. It was a great pleasure to see democracy rolling across the country. There is no doubt that Malawi is not only one of the poorest countries in Africa but one of the poorest in the world. The work of Crown Agents has ensured that supplies get through as quickly as possible, particularly when the area is devastated as it was during the recent drought, and that the maximum number of lives are preserved. I hope that last year's elections and the change of Government in Malawi will give the country a shot in the arm, and the chance to develop in the way that is best for it rather than a way imposed on it from outside or, indeed, from within by powers acting for their own ends.

Malawi has great tourism potential. Other parts of Africa have been able to benefit in that way, but so far Malawi has not. Perhaps its past character has been part of the problem. I hope that the new democratic Government will be able to open its doors to many more tourists, particularly from the United Kingdom. Many tourists visit Malawi because Crown Agents has been there and ensured that the country has not suffered, although it could easily have done so. I hope that tourism, alongside aid, will ensure Malawi's future.

It is easy for us to think that the fact that a country such as Malawi is in receipt of aid in itself constitutes a long-term future. That patently is not true. People living in Malawi need something a bit more secure: they need a future outside aid from countries such as the United Kingdom. I believe that it can benefit from tourism, just as South Africa did as a result of a change of Government and the opening of its doors—and that country has also benefited from the work of Crown Agents.

Crown Agents has given Malawi other aid: for instance, the local government development project in 1994–95, Malawi fisheries training in 1993, the Lake Malawi fisheries research vessel and the evaluation of ODA fisheries programme in 1988.

Mr. Jacques Arnold Will my hon. Friend give way?

Mr. Evans I should be delighted to.

Mr. Arnold Is it not significant that the Crown Agents project was funded by the World bank—by a foreign rather than a specifically British donor? Is it not even more significant that Crown Agents was seen as a channel to bring local government experience from Britain to bear in Malawi?

Mr. Deputy Speaker Order. The hon. Gentleman's only relevant point was contained in the two words "Crown Agents".

Mr. Evans It was Crown Agents that was able to facilitate the programme to which I referred.

Mr. Deputy Speaker I have been patient, but the hon. Gentleman has strayed from the Bill. He has persisted in using the words "Crown Agents", which has enabled me to remain in my seat, but I hope that he will return to the Bill.

Mr. Evans Thank you, Mr. Deputy Speaker. I shall leave the subject of Malawi, but I felt that it was important to give a specific example of a country of which I have some experience, where I have seen the work that is going on. [HON.

MEMBERS: "Done by Crown Agents.]" Yes. Thank you.

The Crown Agents' report shows that good work is being done in other countries, however. Sri Lanka is an example. As I said earlier, I had an opportunity to go there. The problems of such countries cannot be overestimated. In Sri Lanka, the war involving the Tamil Tigers is unfortunately still going on, even following last year's change of Government.

Reform of Crown Agents is long overdue. It will bring a breath of fresh air to a successful organisation that is currently being stifled. At the same time, I see no reason why it should not retain its reputation for impartiality in advising the cheapest and most effective way of supplying projects. This evening, the word "privatisation" has been bandied about as something for which we should apologise, but I am not apologetic—not in this case, or in the case of the other 47 industries that we have privatised since 1979. Each of those companies are far better privatised than they would have been in state ownership.

The same refreshing attitude as is visible in the industries that we are discussing is possible in this context. By no stretch of the imagination can they be described as perfect, but they are far better privatised than they would be if they were run by the state. When the Bill is enacted, Crown Agents will be given the same impetus.

Mr. Jacques Arnold (Gravesham) When I first saw the Bill emerge from the House of Lords on to our Order Paper for consideration, my heart sank slightly. I thought, "My goodness, here we go again. Do we really have to stir a pot totally unnecessarily?" I looked at the Bill with some trepidation because of the recent immense rows about certain privatised industries and wondered whether we were unnecessarily letting ourselves in for further trouble.

7.19 pm

I therefore made it my business to listen to what was said by our right hon. and noble Friend Baroness Chalker of Wallasey, the Minister for Overseas Development, because both Houses have great respect for her work for overseas development over many years as a Minister both in this House and in the other place. She has terrific experience of international affairs and overseas development, especially in Africa, where much of the work of Crown Agents takes place. In going in some detail through her comments on the Bill and its related privatisation, it gave me considerable encouragement to see the advantages that could flow from the Bill's proposals.

My hon. Friend the Member for Carshalton and Wallington (Mr. Forman) spoke earlier and we will shortly hear from my hon. Friend the Member for Sutton and Cheam (Lady Olga Maitland), if she catches your eye, Mr. Deputy Speaker. As Crown Agents is based in its home borough of Sutton, I take it that considerable anxieties would have been expressed by my hon. Friends if there was deep unease among the staff of Crown Agents. In fact, that has not been the case and, apparently, there has been much talk of opportunities for the future.

I first heard of Crown Agents, as did some of my hon. Friends, through my collection of postage stamps. That is, of course, a principal business of Crown Agents. It carries on wide-scale procurement of those wonderful articles that in the past taught me geography, history and goodness knows what else.

The other point at which I became aware of Crown Agents was the news of its disastrous performance in the 60s and 70s—decades of great moment to our socialist friends opposite, whose imprudent banking brought this proud institution almost to its knees.

During the 80s and 90s—one might say, the Tory decades—the work of Crown Agents has improved out of all recognition. It has built up a proud record of work, but it has become increasingly clear that the restrictive constraints within which it operates as a Government entity are becoming an ever-increasing restraint on its development. It is interesting to note that Crown Agents has been restructured considerably over recent years and has generated significant surpluses.

A constituent has represented to me his concern that there is no provision specifically and as such for the foundation within the text of the Bill. In considering that, I note particularly the assurances of my right hon. and noble Friend the Minister for Overseas Development that the company would indeed be a foundation and established as a company limited by guarantee. If there is one thing that we have learnt in this House, it is that our right hon. and noble Friend is extremely honourable, and I have no doubt that the necessary structures will be followed through under the Bill's provisions.

A foundation is a highly appropriate way in which to establish the organisation. Not far from me in Gravesham in Kent is the Wellcome Foundation, which is structured in a very similar way to that proposed in this case. We know of the examples of the Automobile Association, the Royal Automobile Club, the British Standards Institution, BUPA and the PPP health care organisation, all of which operate under such structures. The House should pay due heed to the considerable vote of confidence which has been given to the proposals in the Bill by a number of organisations which have expressed interest in becoming members of the foundation. The British Consultants Bureau, the British Chamber of Commerce, the International Chamber of Commerce and various chartered institutes, notably the Chartered Institute of Building, have shown considerable interest in participating. That can only strengthen the Government's proposals to widen the scope of participation in the important work of Crown Agents.

The business in which Crown Agents is engaged is steadily changing. In 1954, when the name was changed from Crown Agents for the Colonies to Crown Agents for Overseas Governments and Administrations, most of its business was based in the Commonwealth, the colonies and in countries that had had a close relationship with Britain, especially in respect of their administration.

Today, the work of Crown Agents is significantly different. If we consider the Crown Agents' annual report for 1994, we find that quite a bit of its business still concerns the overseas aid programme of the Overseas Development Administration and notably aid to India, South Africa and Zambia, all of which are now members of the Commonwealth. Indeed, Crown Agents has handled and managed the disbursement arrangements for 150 British bilateral aid agreements with a total value of £1.8 billion.

However, Crown Agents has spread its work wider. If we examine its programme, we can see how wide it has gone beyond the Commonwealth—to Ethiopia, for instance, where it carried out a programme of purchasing vehicles and equipment for the civilian police under the ODA programme. It has extended its operations to eastern Europe and on to Russia where it has continued its work alongside the Russian Government in managing a £350 million programme which is financed by a rehabilitation loan for imports to improve the agriculture, health, transport and coal sectors.

In view of the matters that have been discussed in the House in recent days, we should note that the Crown Agents' work in the former Yugoslavia, where it administers the convoys that deliver humanitarian aid and is responsible for recruitment, supplies, cargo movement, vehicles, vehicle workshops and logisticians involved in the World Health Organisation and the operations of the United Nations High Commissioner for Refugees, shows the significant broadening of its work.

The House should pay due heed to that expansion beyond these shores of the Crown Agents' work. For instance, the European Community now makes considerable use of Crown Agents for the introduction of its overseas development programmes. If one were to go to the almost unpronounceable countries of Uzbekistan, Kyrgyzstan and Tajikistan, one would see that Crown Agents has managed the inauguration of a regional bank training centre based in Uzbekistan.

In Poland, Crown Agents has provided technical assistance to the work-out department of the Bank Zachodni Spolka Akcyjna. All that was commissioned by the European Commission and the European development programme and was carried out by the Crown Agents. One could go further to the Crown Agents' assistance in Slovenia, where it is working on establishing a project co-ordinating the regional customs programme for all 11 PHARE beneficiary

countries. In Syria, which is not in the Commonwealth, Crown Agents has carried out a programme on the proposed methods of financing and implementing the modernisation of the commercial bank and the central bank, as part of the European Commission's overseas aid programme.

The work of Crown Agents goes wider still. It has won World bank projects in countries such as Angola, where it has supervised the infrastructural, economic and fisheries components of the ports rehabilitation study. Together with a number of colleagues, I visited Angola at the time of its first elections; the work concerned was proving immensely important. On behalf of the World bank, Crown Agents has carried out a procurement course in Fiji, assisted in the design of an improved system of tax administration in Hungary, and provided a procurement agency service for the population and family health projects in Nepal. We have already heard about the Crown Agents' work in Papua New Guinea, establishing a specialist unit to advise, finance and help with the planning of the Government's privatisation project.

It will not surprise hon. Members to learn that Crown Agents is active in the Caribbean, where it has been commissioned by the Caribbean development bank to prepare a study on road and bridge improvements in Dominica, in the Commonwealth West Indies. Crown Agents also executed the British component of the know-how fund in Romania and Belorussia.

It might be argued that Crown Agents could carry out all this work as a nationalised agency, as in the past, but it is rapidly developing into new areas and winning new business on the basis of its expertise and excellence. It is in these new areas that the agency needs the freedom to operate independently of Government. Some of its more recent contracts are relevant in this context. It has, for instance, won a contract from the Arab Authority for Agricultural Investment and Development to conduct a technical and financial evaluation of one of Egypt's largest land reclamation projects—a task demanding considerable expertise.

Elsewhere, the agency has carried out a joint project combining our overseas aid programme and Norwegian aid in Mozambique, a country devastated by civil war and just about everything else that could go wrong. Crown Agents has designed and implemented an aid monitoring system for the Bank of Mozambique, and has validated both Norwegian and British aid programme funds.

Perhaps the most significant work that Crown Agents has done on behalf of foreign Governments—the crux of why the change has been structured in this way—relates to the major contract that it has signed with Japan to carry out Japan's aid programme in sub-Saharan Africa. Japan, now a major economy becoming increasingly involved in overseas aid, is casting around for people who know what they are doing to implement its aid programme with efficiency and integrity. Britain's experience as a colonial power in that area and as a member of the Commonwealth has resulted in bodies such as Crown Agents being admirably suited to carrying out such work. Already it has gained commissioned work from Japan to the tune of £720 million.

Crown Agents has also won business from the Asian Development bank which, perhaps surprisingly, approached the British Government to administer a programme in Micronesia. The House will recall that Micronesia consists of Japanese islands which, after the war, came under the administration of the United States and only recently achieved independence. One might therefore expect the United States or Japan to manage its overseas aid programmes, but the ADB commissioned our Crown Agents to conduct a review of Micronesia's federal education system at national and state level.

Further afield, the Swedish International Development Authority has commissioned Crown Agents to carry out its programmes in Vietnam. Financed by the Swedes and administered by the World bank, the programme was carried through by Crown Agents, enhancing the effectiveness and efficiency of the banking sector by means of a sustained programme of technical assistance and staff training.

This shows the modernity of the world in which Crown Agents has to operate. It is not the old-fashioned world so beloved of the socialists, which is why the agency cannot continue as a Government entity. That would prevent it from effectively developing.

The origins of, and trends in, the Crown Agents' revenue stream are significant. The last set of accounts published by Crown Agents show that 70 per cent. of its revenue now comes from overseas. I was fascinated to hear the magisterial rebuke delivered by the hon. Member for York (Mr. Bayley) to my hon. Friend the Member for Ribble Valley (Mr. Evans), who claimed that most of the revenue comes from overseas. I am afraid that the hon. Member for York was wrong—

Mr. Bayley The hon. Member for Ribble Valley said that the United Kingdom accounted for most of the Crown Agents' business. That was incorrect—although the United Kingdom is its single biggest customer. The hon. Member for Ribble Valley acknowledged that that was true.

Mr. Arnold The British overseas aid programme may be the biggest single customer, but our point is, and remains, that Crown Agents gets most of its revenue today from overseas sources. That underlines the importance of giving it maximum flexibility, as will be granted to it by privatisation.

Given the agency's in-house expertise and procurement capabilities, it is not surprising that most of its business comes in the form of advisory, financial and purchasing services. This expertise, built up over a long period, should be put to far wider use internationally. British expertise is renowned the world over, even if we are sometimes rather too modest about it.

A significant part of its business is the procurement of bank notes and stamps and vital secure documents. Britain's expert printers produce a great deal of such material. Crown Agents should rely on the excellence for which it is famous and should be free to be flexible.

I expected the debate to be incredibly boring and thought that everybody would take the view that this was a meritorious but low-key issue. But that is not the case. The hon. Member for Eccles (Miss Lestor), who spoke for the Opposition, immediately decided that this was privatisation. The red flag was raised and she charged into an extraordinary mode of opposition to the proposal.

Mr. Foulkes I must spring to the defence of my hon. Friend the Member for Eccles. She may not be a noble Lady, but she is correct, impressive and powerful. On this occasion she is right, and it was not she who first said that it was privatisation; it was the Overseas Development Administration. That was said in ODA press releases and it has been said by the Minister. The hon. Gentleman must not attribute that comment only to my hon. Friend, who expertly exposed what the privatisation means in practice.

Mr. Arnold The hon. Gentleman makes my point. Immediately this was labelled as privatisation, the red flag was hoisted and hostility was the order of the day. It is immensely revealing about this wonderful, glossy, new, Blair Labour party that one has merely to mention the word "privatisation" and Labour Members go ape.

Miss Lestor I go what? I do not understand what I went.

Mr. Arnold I think that it is called estuary English. As I say, the Opposition go ape and there is the usual hostile tirade against anything that is dubbed privatisation. That is highly unconstructive when debating the future of one of our great expert organisations. The reasonable tones of the hon. and learned Member for Fife, North-East (Mr. Campbell), who spoke on behalf of the Liberal Democrats, were delivered in the usual honeyed way. The hon. and learned Gentleman ended by saying that his party would oppose the Government. That is about par for the course for Liberal Democrats, who have not looked properly at the facts of this privatisation.

Privatisation is not a simplistic monolithic approach. All privatisations are different and could be categorised. Many of them are straight privatisations of independent companies which many Conservative Members would say should perhaps never have been privatised. Companies such as British Airways, British Steel, the bus companies, Amersham International and British Petroleum were all separate companies in the same way as Crown Agents.

Those of us who were in business used to travel frequently with British Airways when it was nationalised. We did that out of loyalty to the flag which was stuck on the aircraft. but there was a certain amount of embarrassment about the standard of service provided. When BA had the freedom, the scope and the competition of the marketplace and was unable to put its hands in the taxpayers' pockets it turned itself into the world's favourite airline. The same is true of British Steel in terms of quality. I could go through the gamut, but I fear that I am starting to make you restless, Mr. Deputy Speaker.

I shall deal with privatisations that contrast with the one that we are debating. The House gets steamed up about the utilities, but there is also privatisation by means of franchise. The train operating companies were privatised in that way, and by no stretch of the imagination are they comparable with Crown Agents. We are debating a privatization—let us be proud of the phrase, Conservatives certainly are—that is a transfer to an independent foundation. It will bring together many interested organisations and bodies, non-governmental and international organisations and a variety of institutions which will participate to oversee and ensure that the excellence of what Crown Agents offers is expanded, extended and developed in a way that could never happen under direct Government control.

The world is developing fast, and flexibility is essential if one is to succeed in delivering a wide-ranging service in the way that Crown Agents has always done. We should never underestimate the fact that Britain is a great international player. It is a permanent member of the Security Council of the United Nations, one of the great powers of the European Union and a leading nation in the Commonwealth and in the G7. I could continue with the list of our contributions.

In debating the subject of Crown Agents, we are also considering some of the outstanding work throughout the world that is carried out by some of our non-governmental organisations. They have a proud record of service, especially in the third world where many of them work with Crown Agents. Those organisations serve well not because they have been born and bred of Government but because they are independent. Many organisations based in the United Kingdom do exceptionally good international work. By supporting the Bill, we shall take a great organisation with a great history which embodies the expertise for which Britain is world renowned and place it alongside the NGOs. They will work with Crown Agents, which will build on the past and develop in the future in a way of which the House can be proud.

Mr. Hugh Bayley (York) I had not planned to speak in the debate and I apologise to the Minister and to my hon. Friend the Member for Eccles (Miss Lestor) for missing their speeches. I was at a meeting of the Standing Committee which is examining the Pensions Bill. However, listening to the debate has prompted me to intervene and I shall start by declaring an interest. Last year I went to Japan for a series of meetings with officials in the Japanese Foreign Ministry. I was a guest of the Japanese Government who paid my fare and my accommodation. I shall speak later about the Japanese overseas aid programme. 7.47pm

The Minister confirmed in clear terms to my hon. Friend the Member for Hemsworth (Mr. Enright) that the Bill proposes to privatise the Crown Agents. As a supporter of the new Labour agenda of my right hon. Friend the Member for Sedgefield (Mr. Blair), I do not take the crude view that everything in the public sector is necessarily good or that private sector provision is necessarily bad. I take a pragmatic view, and the pragmatic question about the Bill is whether the privatisation of Crown Agents will make it more efficient or more effective.

Crown Agents is held in high public regard in this country and abroad. That is reflected in the size of its portfolio—the number of countries that come to it for its services. It is one of the oldest institutions in the British public service.

It is far older than the Overseas Development Administration and it is older than most of the Departments of State which have Ministers who report to the House.

There has been some sentimentality, especially from Conservative Members, about Crown Agents. Until this debate, I had not realised that being a schoolboy stamp collector was an essential requirement for a Conservative candidate.

Mr. Baldry indicated assent.

Mr. Timothy Wood (Lord Commissioner to the Treasury) indicated assent.

Mr. Bayley I see the Minister and the Government Whip nodding their heads. I did not realise that the first question at a Conservative selection conference was. "What colour was the 4 cent stamp for the West Indies Federation and when did the West Indies Federation cease to exist?" I now realise why the Conservative party gets the candidates that it does. Sadly, future generations of Conservative Members will not search in their watermark trays for Crown watermarks on the back of their stamps, but for Foundation plc watermarks. Sentimentality may be a fine thing and Crown Agents is a fine thing, but sentimentality in itself is not a good reason for not privatising Crown Agents.

We need to consider whether privatisation will make Crown Agents more efficient, more effective and more accountable to the people who go to it for its services. It would be possible for the Government to make the case that that would happen, but they have not done so to date. The reason that they have failed to do so is that they have set out in the Bill the framework, but not the detail about how the private Crown Agents will operate.

Without that detail, I am not prepared to take a gamble that the high ethical standards, the social commitment and the commitment to development which have characterised Crown Agents since it became a public corporation will be maintained. There are hon. Members who will seek that reassurance from the Government if they are to support the Bill. The Minister will have to say far more on Second Reading and in Committee to win that support and to achieve the cross-party consensus which exists about many parts of the Government's overseas aid programme.

Other hon. Members have quoted from the Financial Times article of 26 August 1993 which commented on Baroness Chalker's letter to the Chairman of the Foreign Affairs Select Committee outlining the Government's plans for the future of Crown Agents. The Financial Times reported that the Japanese "lobbied the UK government against outright privatisation, arguing that this would imperil the honest broker status of the organisation." In evidence to the Foreign Affairs Select Committee, Barry Ireton, an ODA official, said: "I think it is fair to say the Japanese would have concerns if the Crown Agents simply became an ordinary commercial private business." What the Japanese say matters not just because the Japanese are the second biggest customers of Crown Agents, putting hundreds of millions of pounds of business in its direction, but because Japan is an enormously important player in overseas development assistance. This year, for the first time, Japan has become the world's largest overseas aid donor—larger even than the United States. Japan may give less as a proportion of gross national product than the United Kingdom, but because its economy is hugely larger than the United Kingdom's, it gives more overseas aid.

Traditionally, Japanese overseas aid has gone to developing countries in its region of south-east Asia—to countries with which the Japanese have historically had trading or other ties. Those countries include the Asian tiger economies such as Korea, Taiwan, Singapore and Malaysia which have been development success stories. They are no longer poor or under-developed countries, but developed countries with strong economies and a high standard of living for many of their citizens. There is a limit to how much overseas aid one can give to a middle-income or high-income country.

The Japanese, therefore—I applaud this—have turned to providing more aid for the benefit of poor people in poor countries. To do that, one must inevitably turn to providing aid for Africa, the poorest continent. In contrast to its historical links with countries in its region of south-east Asia, Japan historically has had little to do with Africa so it

has turned to donor countries that have had a historical relationship with Africa, most notably the United Kingdom, for technical assistance and advice.

When, for example, the Japanese decided to send a contingent from their national defence force to assist Rwandan refugees in Goma—an important decision in itself because it was the first time that land forces from the Japanese national defence force had been deployed outside Japan—they went to the UK high commissioner in Nairobi for advice, which was willingly given, on the logistics and practicalities of working in such a role in Africa. Such advice does not apply only to emergency situations. The Japanese Government come to Crown Agents for advice about providing long-term development assistance in Africa. They use Crown Agents as an agent for the Japanese Government's overseas development programme in 14 sub-Saharan countries and they have put £720 million of business through its hands.

The amount of overseas assistance from Japan to Africa via Crown Agents is likely to increase because the Japanese economy is likely to grow and the priority that they give to Africa in their overseas development programme is likely to increase. The Japanese have found already that they can be helped ably by Crown Agents in terms of the expertise that they require to deliver their overseas aid objectives effectively.

The Government have, in the Bill, responded to the view expressed by the Japanese that there should not be outright privatisation of Crown Agents. They have produced instead a curious hybrid—a privatisation without teeth. It is a toothless tiger which will create a public interest, private sector development organisation. It is toothless because all the profits created by this private development organisation will be recycled to pay for further development work and no dividends will be provided for shareholders.

To date, all the Government's privatisations have been predicated on the assumption that it is the profit motive and the shareholders' insatiable desire for dividends which act as a spur to efficiency and effectiveness and which contribute to the benefit of privatisation. It is, therefore, something of a surprise that the Government now argue that privatisation can be equally effective without the incentives of the profit motive and dividends to shareholders. Why was British Gas not privatised on the basis that profits made would be reinvested for the benefit of customers and that dividends would not be paid?

Mr. Jacques Arnold The losses.

Mr. Bayley The hon. Member for Gravesham (Mr. Arnold) asks about losses. In the past, the losses were always paid for by the consumers so there would be no change in that regard. The same case could be made about the privatisation of British Telecom or the electricity boards.

With their proposed privatisation of Crown Agents the Government are creating an entirely new concept and a new entity—a private sector, public interest corporation. If they believe that that can be the basis of a successful privatisation, there are good arguments for using the same approach elsewhere. If the benefits of privatisation can be gained in that way, but with additional benefits and safeguards for the public interest and the customers, surely the principle could be applied elsewhere.

I shall now ask the Minister a few specific questions. According to the Bill, the Crown Agents Holding and Realisation Board will have between two and 10 members. The Library briefing for the debate suggests that representatives of charities and other development organisations, among others, could be appointed to the board. If the Government wish to reassure the public and Opposition Members that the ethical principles and the commitment to development that have underpinned the work of Crown Agents to date will be retained under the new regime, one of the most effective ways of doing so would be to ensure that people with a commitment to development rather than to profit-making would have the whip hand on the board.

If there were one token representative from one development organisation I would not be reassured, but if a substantial proportion—perhaps 20 or 30 per cent.—of board members had that commitment I should welcome the fact.

Mr. Baldry I understand and fully accept the reason why the hon. Gentleman was not present for my opening speech, but let me put his mind at rest now. I have already said several times that the Government will not appoint the members of the foundation. I would hope that all its members will have a strong and total commitment to the development purposes and philosophy of Crown Agents.

The Bill transfers Crown Agents from its present 1979 statutory format into a company limited by guarantee that the Secretary of State will on some future occasion transfer to the foundation—also a company limited by guarantee. The members of that foundation will not be appointed by the Secretary of State. Some of the existing people at Crown Agents, together with other charitable and philosophical organisations, will come forward and say that they wish to be members of the foundation. The Government will have to look at them in the round, consider their competence and probity and decide whether to hand over the body that the Bill sets up to that foundation.

Clearly it is the intention that everyone involved with the foundation should be totally committed to the development purposes and philosophy that Crown Agents now espouses. We seek to provide the structure to enable it to do its work more successfully as we approach the 21st century.

Finally, without trespassing much further on your patience, Mr. Deputy Speaker, I should like to explain that if one is not careful the use of the word "privatisation" in the context of the Bill becomes a form of shorthand. Yes, the Bill will privatise Crown Agents in so far as it will take it out of the public sector, but if the hon. Gentleman had listened to my speech—

Mr. Deputy Speaker Order. My patience is now at an end. That was a very long intervention.

Mr. Bayley I thank the Minister for his intervention, and I shall certainly read his speech. There is still something that confuses me, and if it was not covered in the Minister's speech I should be grateful if he would deal with it in his summation. I had understood that the Crown Agents Holding and Realisation Board was intended to be a sort of stalking horse for the foundation—a foundation in waiting.

Clause 11 says: "The Board shall consist of not less than two and not more than ten members appointed by the Secretary of State". It then makes further provision for the appointments. If I am wrong and the Minister has already explained why, I shall find out when I read his speech.

However, if there is a chance that the new foundation will grow out of the Crown Agents Holding and Realisation Board and its constitution and coming together is likely to be guided by that body, I shall want some reassurance from the Minister that a substantial presence on the Holding and Realisation Board will come from non-profit-making charities and non-governmental organisations with an interest in development issues.

My second question about the Holding and Realisation Board has already been raised several times in the House in recent months, and indeed over the years. It concerns the pay and other remuneration of directors of privatised organisations. There is undoubtedly widespread public concern about the escalating salaries and fees being taken by such directors. There would be public outrage if six-figure salaries of the type that have caused so much concern when paid to the directors of other privatised public organisations were paid to directors of the new foundation or its subsidiary company—a body whose *raison d'être* is to assist the process of development for the benefit of poor people in poor countries.

Mr. Enright Does not my hon. Friend consider that a good example of what he is talking about is provided by Clare Spottiswoode, who was appointed to look after the public interest and operated at a public service or civil service level?. But we now know that she is putting in for a huge rise that will take her salary well into six figures.

Mr. Bayley My hon. Friend draws attention to just one of the examples that have given rise to genuine public concern.

Lady Olga Maitland I thank the hon. Gentleman for giving way, because I was becoming intensely frustrated by his gross slur on the integrity and probity of Crown Agents. He seems to suggest that its personnel will become corrupt and selfish in future. Will he retract any slur that he might have cast on Crown Agents?

Mr. Bayley I was drawing a parallel not with Crown Agents but with what has happened in other public sector enterprises that have been privatised. If the hon. Lady thinks that it is a slur to refer to the fact that directors of privatised companies earn hundreds of thousands of pounds a year, perhaps if she manages to catch your eye later, Mr. Deputy Speaker, she will explain why. However, if she thinks that it would be appropriate for the directors of a privatised Crown Agents to receive six-figure salaries of the sort that have caused public concern elsewhere, perhaps she will make that case to the House instead.

I appreciate the fact that when there is a privatised body the Government will not set salary levels, but they will set levels for the interim body—the Crown Agents Holding and Realisation Board. On page 6 of the Bill—

Mr. Baldry It might be helpful if I clarified the matter before the House gets into a muddle. The Crown Agents Holding and Realisation Board is completely different from the organisation which the Bill is dealing with. The board was set up by the Crown Agents Act 1979 to handle the consequences of the speculative investments on its own accounts by Crown Agents in the 1970s. That was the whole reason for the legislation.

An organisation was needed which could draw a line under those losses and manage them, and that organisation is the Crown Agents Holding and Realisation Board which is dealt with in clause 11 of the Bill. It is totally separate from Crown Agents, and the Crown Agents Holding and Realisation Board—as I said in my opening speech—will not transfer to the private sector with Crown Agents. It will do the residual work which it has to do, and as soon as it has finished that work it will be wound up by the Secretary of State. The Crown Agents Holding and Realisation Board to which the hon. Gentleman refers is history, and relates to losses made in the 1970s.

Mr. Bayley I thank the Minister for the explanation, and I do not need to pursue that matter further.

There are two other issues which I would like to put to the Minister. First, the aims and objectives of the foundation should be set out in the memorandum and articles for the company. This is not a technical detail—it is essential to the debate. Opposition Members, and some Conservative Members, are concerned that the privatisation of Crown Agents could destroy the ethical principles of social justice and development which are the hallmark of Crown Agents. Those principles attract its customers.

We need to be reassured that the new-style Crown Agents in the private sector will not change its nature, and that it will continue to subscribe to these principles under its no-dividend, profit-recycling constitution. That will be the point upon which the opinion of many Opposition Members will turn as to whether to support the Bill or not. If the Government genuinely want to maintain the high standards of public service provided by Crown Agents, I for one would not object in principle to that being done in the private sector rather than the public sector. But because of some things which have happened following other privatisations, I fear that the commitment to public service will be undermined unless those principles are firmly guaranteed in the founding constitution of the new-style private sector Crown Agents.

Will the Government give an undertaking to publish a draft of the memorandum and articles before the Bill goes into Committee? The debate will be meaningless if it is predicated on a "what-if" assumption and if we do not have the memorandum and articles before the Committee debate starts. If the Government wish to reassure the Opposition in Committee by going through in detail how it will work in practice, they should publish the memorandum and articles. If the Government wish to obscure the real nature of a privatised Crown Agents until after the House—with the benefit of the Government majority—has passed the Bill, they will come up against suspicion and opposition from the Opposition Benches.

Mr. Baldry It would be disingenuous of me not to respond, as I would not want the hon. Gentleman to be misinformed when he votes at the end of the debate. I made clear in my opening speech and in response to interventions that we have nothing to [...] I do not think that it will be possible to publish [...] and articles of association prior to the Bill going into Committee, for a number of reasons. Not the least of those is that we must consider whether the foundation should be a charity. Charity law at present is in a state of flux post-Barings. Hitherto, charity trustees have had an interest in placing all of their charitable funds in a secure bank because that—

Mr. Deputy Speaker Order. I hesitate to stop the Minister, as I know that he tends to make helpful interventions. However, I assume that he will be winding up the debate, and he can then answer the questions which have been put to him.

Mr. Bayley Without treading on your toes in any way, Mr. Deputy Speaker, I might say that it was thoughtful of the Minister to try to reassure me.

Some changes may be necessary to the final memorandum and articles before they are submitted to Companies House in view of what has happened to Barings and to the Barings trust. But that will not alter the substance of the memorandum and articles. I ask the Minister to publish a draft of the memorandum and articles, as that must be done if we are to have a constructive debate in Committee. If not, we will be debating the issue blindfold.

The Minister may have seen a draft which has reassured him, but he has not made such a draft available to the House. Without such a draft, the debate will be determined and dictated by the suspicions which obviously exist.

I understand that the Government are to take limited reserve powers over the foundation. They will have a golden share to prevent fundamental changes to the purpose of Crown Agents in its privatised form, but that golden share is only for a period of five years. I presume that the provision has been made because of concerns expressed by the Japanese Government and by other countries which use Crown Agents. They are seeking reassurance that the honest broker status of Crown Agents will be maintained. We need to give that reassurance for longer than five years.

Nothing is ever cast in stone for all time. If we find in five or ten years' time that the new-style Crown Agents has built up a track record and has reassured people that its commitment to development rather than to profit-making remains unchanged, the Government at the next appropriate overseas aid legislation could remove the provision and give away the golden share. But if we want to provide the reassurance which I believe is necessary for the 70 per cent. of Crown Agents' customers who come from overseas, five years is too short a period.

Lady Olga Maitland (Sutton and Cheam) I give a warm welcome to the Bill, which is in response to Crown Agents' wish for greater commercial freedom. First, I declare a constituency interest, as Crown Agents has its headquarters in Sutton. I am enormously proud of its achievements, and I echo the remarks of my hon. Friend the Member for Carshalton and Wallington (Mr. Forman) in wishing Crown Agents well as it moves into the future.

8.17 pm

Crown Agents is a unique organisation, whose historical background goes back 162 years. Its members were first appointed in 1833 as Crown servants acting under prerogative for the procurement of goods and services for colonial

administrations. They formed the backbone of British interests overseas.

Today, a meeting at the Crown Agents' Sutton headquarters is always stimulating. It always has something new to tell. Its staff, its proudest asset, are enthusiastic, dedicated, and totally committed to their work.

When one hears of the organisation's sheer range of activities, one well understands why it is one of Britain's great ambassadors across the globe, covering 150 different countries. It employs 850 staff in 30 offices worldwide, and places annual orders worth more than £200 million for its clients. More than 70 per cent. of its income originates outside, and that percentage is growing. Tantamount to its success is that it has now paid more than £20 million in capital and interest to the Government.

As we have heard throughout this debate, the Crown Agents provides a range of services for aid agencies such as the United Nations, the World bank and the European Union, and for a number of bilateral donors, including Japan, Sweden and the Netherlands. Similar work is carried out for a large number of public sector organisations around the world. Projects range from bank training in Tashkent to humanitarian relief in Bosnia.

As we speak, with tension rising all the time in Bosnia, another aid convoy with food and medical supplies is crawling slowly over the mountains to reach such desperate towns as Banja Luka, Sarajevo, Mostar, Zenica and Gorni Vakuf. The drivers are all supplied by the Crown Agents, called in by the ODA to do a job that calls for unremitting courage and determination. The ultimate result is that they are saving thousands and thousands of lives. Their lot is full of risks, driving in perilous conditions.

Paul Goodall paid the ultimate price when he was killed in a vehicle hijack in Bosnia. His colleagues, Simon King and David Court, were seriously injured, and were duly recognised in the Queen's 1994 birthday honours list. Drivers John Crosthwaite, John Ellis, Raymond Milton, Nigel Moore. David MacAdam, Bob Phillips, Tony Winton. Edward Perks and Cyril Dawes fully deserve their honours from the Queen for keeping the aid convoys going in extremely difficult circumstances.

I salute those men all the more for their modesty because, unlike the soldiers who protect them, they do not receive public acclaim. Although they are often overlooked, they are the key to the humanitarian programme's success. I therefore welcome the Prime Minister's decision last week to send troop reinforcements to secure the protection of those valuable convoys.

The House has heard many references to the Japanese Government, who have such a high regard for the Crown Agents that they have chosen to place their aid programmes in its hands. In their first pilot aid programme, they asked the Crown Agents to deliver food aid to the far eastern sector of Siberia. That package was worth £25 million and, as expected, the programme was a success.

Indeed, it was such a success that today the Crown Agents has a major office in Tokyo, which I have visited. It supervises Japan's aid programme, which is worth \$590 million since 1988 and covers 40 individual grants to 14 countries in sub-Saharan Africa, the Philippines and Peru. The Japanese Government are now the second biggest client after the ODA. The European Commission, through European procurement agents on behalf of the European Union, has nominated the Crown Agents, one of its members, to carry out a number of contracts across the world in countries ranging from Malawi to Bangladesh.

The Crown Agents' work is far wider than delivering assistance to the third world. The know-how fund makes full use of the Crown Agents. One project is the management and training programme in Belarus to assist the republic to change to a market-based economy.

As my hon. Friend the Member for Gravesham (Mr. Arnold) said, the Crown Agents is also active in the Caribbean, where it works on development in both the public and private sectors. In Asia and the Pacific, it focuses on aid, economic management and public sector development such as tax administration. I pay tribute to the rapidly growing and successful department that deals with tax administration, which is developing a vigour of its own.

The Crown Agents has been teaching countries to create self-sustaining projects such as bank training in Tashkent and Vietnam, bringing their performance up to international standards. In Africa, it provides not only support for major health and education programmes but international banking, account and foreign exchange services to Governments and central banks.

Those services are crucial to developing countries such as Malawi, which I visited last year and where I had a chance to talk to some of the Crown Agents' representatives there. I join my hon. Friend the Member for Ribbles Valley (Mr. Evans) in wishing the newly elected Government well. By bringing in an ordered democratic government, Malawi is more likely to benefit fully from the Crown Agents' work. The range of the Crown Agents' work extends to other countries such as Tanzania, where it undertook a comprehensive review of public procurement and supply of management arrangements.

Given the range of activities, we might ask why so many countries choose to turn to the Crown Agents to deliver and handle those aid programmes. The clue might lie in the fact that it delivers real value for money. Not a penny is wasted. In the 1993 annual review of the Crown Agents' activities, Mr. Peter Berry, the managing director, stated: "Increasingly, as aid becomes subject to a more detailed cost-benefit scrutiny than in previous cycles, we find ourselves able to demonstrate our effectiveness on several levels. Our cost-effectiveness in the actual spending of aid is self-evident. Yet we can also monitor the aid process, interfacing between donor and client to provide surety to each that their money is being well spent, and we can manage and train recipients to handle effectively and accountably the funds made available to them." That sums up one of the qualities of the Crown Agents.

A brief resumé of the Crown Agents' wide-ranging work will help to understand why I welcome the Bill: it is vital that it should now be able to develop further. Times have moved on since the passing of the Crown Agents Act 1979, when it became a public corporation with a board appointed by the Secretary of State for Foreign and Commonwealth Affairs. It came into being after a turbulent history, which prompted a regulatory framework designed to give the Government tight control over its affairs.

That may have worked at the time, helping to build public confidence, but, by the same token, as the years went by and the range and scale of business done on behalf of other Governments and agencies increased, it became evident that the constraints were unrealistic. In short, the Crown Agents had outgrown its constitution. It needed to be set free to compete with the world in the 1990s and beyond.

The problems were first set out clearly in the annual report of as long ago as 1992 by the chairman, David Probert. My right hon. Friend the Minister for Overseas Development recognised those problems and stated in another place that she would review the status of the Crown Agents. Her responsiveness is typical.

Given that the Crown Agents receives not a single penny from the Government in any subsidy, and the fact that Government contracts are significantly down due to changes in Britain's bilateral aid, the Crown Agents has had to compete in the international arena in order to survive. During those initial days, however, it passed through a crisis and had to lay off staff, much to its regret. Even with its hands tied behind its back due to restrictions imposed upon it, it has done extremely well.

Just imagine how the Crown Agents would prosper if it was granted total freedom from the Government's apron strings. It would be able to make major decisions fast without having to refer back to a Government Department, where red tape and bureaucracy cannot respond with the necessary sense of urgency. Even a simple decision on a

proposed joint venture scheme can take weeks, even months—or, in one case, well over a year. That is not good business practice, and opportunities can be lost.

To begin with, slow progress was made in responding to the problems highlighted by the Crown Agents. The chairman, assisted by his able and energetic managing director, Peter Berry, kept up the pressure. In the 1993 annual report, they noted that their advisers, Price Waterhouse and S. G. Warburg, recommended that the ideal solution would be to transfer the business and assets to a specially formed foundation, the profits of which would not be distributed but would be retained for the development of the organisation and its services to clients. Such a structure would ensure that the Crown Agents continues to be good for development, good for the transfer of skills and good for international trade.

I have been somewhat saddened by the remarks of Opposition Members, who seem determined to retain the Crown Agents within the public sector. I totally reject that idea, which would hamper its freedom. The Opposition were asking the wrong question. The right question is why the Crown Agents should continue to be owned by the Government.

The blindness and hostility of the hon. Member for Eccles (Miss Lestor) to privatisation is so well known that all she could do was rampage in and focus on other privatised industries. She drew attention to certain high-profile examples, and drew a direct parallel between them and the Crown Agents, but did not accept that it operates in a different sphere.

The hon. Lady did not say what would happen if there ever were a Labour Government. I am confident that that will not happen, but we must still ask whether she would try to claw the Crown Agents back into the state sector. If she did so, she would kill the Crown Agents stone dead. She would cramp its style in an extremely difficult and competitive world.

For the Crown Agents to prosper, the Government should be able to stand back from detailed control, but they cannot do that as long as they continue to bear ultimate financial responsibility for it. Government ownership requires the Government to take an internal interest in the affairs of the Crown Agents, or, as some would suggest, to interfere. There is no need for that.

No one is suggesting that there will be any repetition of the events that influenced the introduction of legislation in 1979. In any case, the Government would retain an interest as a customer of the Crown Agents. I therefore welcome the fact that the Government support the transfer to a foundation in principle, but that is not reflected in the Bill.

An enabling Bill simply gives the Government the means to transfer the Crown Agents to another status at a later stage. That may suit the Government when considering other forms of legislation, but this case is different. In terms of client confidence, especially of Japan, which is the second single major customer of the Crown Agents, it is necessary to include in the Bill a commitment to make the transfer into a foundation.

It is not enough just to leave that in the air and trust to hope that the Government will do as they have promised verbally. The blinds are being pulled down over exactly what will happen next during the transfer, and the final outcome will not be subject to any control.

I am concerned that, at this stage, key factors concerning the future of the Crown Agents are still to be resolved. I share the concerns expressed by the Opposition about the memorandum and articles of association. I find it disturbing that, so far, the Government have not produced their own memorandum and articles of association of the companies.

I can understand that the Government do not want to set a precedent, but the Crown Agents is a unique organisation. Its strength lies in the morale of its employees. As they are largely my constituents, I have a special interest to express on their behalf.

My hon. Friend the Minister will be aware of the staff's nervousness about their future. It is reassuring to note that there are no plans to change their pension arrangements or to announce any staff redundancies in the future. None the less, the whole structure of the employees' working environment is enormously important to them. As staff morale is the key asset of the Crown Agents, they deserve priority treatment.

It would make a great difference to the staff if my hon. Friend produced a memorandum and articles of association sooner rather than later, so that they may have a clear idea of exactly what he has in mind on their behalf. A clear statement about that today would be much appreciated.

Such a statement would also increase confidence among the many major customers of the Crown Agents. I appreciate, however, that my right hon. Friend the Minister for Overseas Development has discussed the options, and taken full account of the concerns of the Japanese Government as well as of other clients.

The constitution of the future foundation will be bound by the operational structure of the successor organisation. I understand that the Crown Agents would like a sleek, single company, limited by guarantee, which cannot distribute profits to its members. That equates with the continental not-for-profit foundations, well understood by the Crown Agents' clients overseas. Research bodies have been transferred to the private sector in that way. It appears, however, that the Government have other ideas, which are frankly cumbersome. They have proposed an interlinked, two-company structure, which is unwieldy and unnecessary.

The Government have suggested that the holding company might have charitable status. As I understood it from my meeting with the Minister, that is still under consideration. In my view, that proposal is inappropriate. I understand that the Government are anxious to ensure that there should be no exploitation. We all share that concern. The very word "charity" means good, but charitable status is extremely restrictive, and could tie up the operational nature of the foundation in such knots and create so many complications that that could damage the potential for development of its business. From the Government's point of view, charitable status achieves the objective of external regulation of the holding company by the charity commissioners.

Matters are not helped by recent press comment in the wake of the Barings collapse, which has highlighted the duty of charitable trustees to operate their investments for the benefit of their charitable objects rather than moral considerations. In this case, charitable status, as opposed to not-for-profit status, could have a negative impact on the market position of the Crown Agents.

Clients want to be assured that the operating company is run commercially but for a social purpose, rather than geared to generating maximum profits for distribution by a charitable parent. Clients would want the Crown Agents to plough more resources into its operations, rather than make disbursements in accordance with the company's charitable objectives.

Another factor that is extremely important to the Crown Agents is capitalisation. That is crucial to the future of the Crown Agents. It affects the whole viability of the new foundation. The Government say that they are anxious that the foundation should be viable. My hon. Friend the Minister said earlier that he did not want it to be overburdened with debt. However, that must be balanced with an obligation to repay its debts to the taxpayer on a good value for money basis.

One cannot have it both ways. Either one burdens a new foundation to such a degree that it is unable to flourish, or else one gives it the lift-off so that it can really float free. Therefore, I was worried to notice that in clause 2 the Bill makes provisions for a clawback of the commencing capital debt of about £2 million plus.

Including that debt, the capital and reserves of the Crown Agents are extremely modest, totalling £15 million. That is a meagre amount when one takes into account the fact that working capital needs are increasing all the time. Reduce

that sum by £2 million being called in by the Government, and one might wonder how any major company could achieve client confidence with a working capital and reserves of only £13 million. Accountants that I have spoken to tell me that it is simply not credible in a commercial world. Indeed, in my opinion, the Crown Agents would be better served by buying a lottery ticket and trying to raise capital that way. It certainly could end up with more.

Even as a layman, I was amazed, when I looked at the balance sheet, how near the bone the Crown Agents operate. No one could say that it is wallowing in a fortune of greed; quite the opposite. There is never any suggestion from its bank accounts and its balance sheet that it could be profiteering, and I doubt that it would ever be the case in future. The Crown Agents has no real estate to call upon. The headquarters in Sutton is leased. The only capital equipment could be the computers, which depreciate. The real asset is beyond price—the quality of the staff, their dedication and sheer professionalism.

It is all very well for the Treasury to try to extract every penny it can. That is its responsibility. However, that must be balanced by the fact that it is reducing severely, at a stroke, the ability of the Crown Agents to withstand a crisis.

If I may, I wish to give an example. In recent years, the Crown Agents has had to weather events such as the sudden change since 1992 in procurement volume from the Overseas Development Administration. Uncertainties have developed created by totally outside events, such as the collapse of a long-established bank such as Barings, which might affect the Crown Agents at any time.

It would be most embarrassing for the Government if they set a foundation free only to find that it then had difficulties because it had been starved at the start of much-needed resources. The foundation needs to embark on its rebirth with a robust financial base, not—to quote the Viscount of Oxfuird on Second Reading in the other place—“born into a state of penury.”—[Official Report, House of Lords, 28 February 1995; Vol. 561, c. 1432]” Crown Agents is under-capitalised as it is. Far from the Government grabbing the £2 million, they should be topping up the capital and reserves of at least £20 million, thus strengthening the foundation and giving it the boost that it deserves. After all, faced with the future and with all the internal costs that it will have as it goes into the future, that is essential.

It is not only generous-spirited to ensure the viability of the Crown Agents; it is plain common and commercial good sense. I trust that when the Government consult independent financial advisers, they will agree with me. Indeed, if I may remind the House, my hon. Friend the Minister did say that he wanted the foundation to have a healthy rebirth.

Generally, the good news is that the scene is set for a bright future, facilitated by the Bill. When I survey the vast array of work that Crown Agents does, the good will that it engenders throughout the world, the benefits that we as a nation receive from basking in its reflected glory, its story is born of modesty, professionalism and pride. Crown Agents reflects the best of Great Britain today, and it is my proud boast that I happen to be its Member of Parliament.

Mr. George Foulkes (Carrick, Cumnock and Doon Valley) I do not think that I shall be able to follow the hon. Member for Sutton and Cheam (Lady Olga Maitland) in her stirring and heroic manner, although I agree with some of her arguments in relation to the memorandum and articles of association of the foundation, the role of the staff, the excellent work done by the staff and the role of the Treasury. I shall return to those later.

8:44 pm

The debate has been useful. Someone said earlier that it had been a surprisingly interesting debate. It is no surprise to me that it has been interesting. For those of us who are involved, and have been for some time, in development, it is an important and interesting subject. It has been good that so many people have participated. Some of my colleagues have been unable to do so because of service on Select and Standing Committees, although I pay tribute to my hon. Friend the Member for York (Mr. Bayley) for coming out for some time from the Select Committee on which he serves to participate and to make such a brilliant speech.

The debate as a whole—I know you have not been able to sit through it as I have, Mr. Deputy Speaker—has been surprisingly full of philatelists. I had not realised the high correlation between philately and interest in development, but it has emerged strongly tonight, especially among Conservative Members. The debate has also been full of world travellers. It was surprising how many hon. Members prefaced or interspersed or concluded their speeches with mention of their travels around the world, to Malawi or Sri Lanka—not all as members of the Welsh Select Committee, although it did entrance us to know that the hon. Member for Worcester (Mr. Luff) had been to Barcelona as a member of the Welsh Select Committee. It has been a remarkable revelation of a debate.

I wish, on behalf of the Opposition, to reiterate what has been said on several occasions—the Leader of the House will be pleased to know that I am still on my first paragraph—from both sides of the House, and I do not mean the effusive congratulations and effusive words that were said about Baroness Chalker. She would be embarrassed if we were to go any further along those lines.

We all agree about the great value of the work—brilliantly described by the hon. Member for Sutton and Cheam—undertaken by Crown Agents, and the exemplary way in which it has performed those tasks to date. I shall not disappoint the hon. Member for Worcester. It occurs to some Labour Members, and perhaps even, occasionally, to some Conservative Members, that if Crown Agents is so good, has been working so well and has done so much in so many sectors in so many countries so effectively and so brilliantly, why do we need to change it? What is the purpose of the Bill? What is it all about?

I think it was an American who said, if it ain't broke, why mend it?

Mr. Jon Owen Jones (Cardiff, Central) Fix it.

Mr. Foulkes It was one of my honourable and erudite Welsh friends who said, if it ain't broke, why fix it? And it ain't broke. The hon. Member for Sutton and Cheam said how well Crown Agents was doing, so why do we need to go through that process?

The Minister will be pleased to know that I shall be able to allow him a few minutes at the end of the debate to reply to my hon. Friend the Member for York and others. The Minister spoke earlier, at some length, but he has not convinced me. There were no arguments; there were no explanations; there were no reasons. There was dogma. There was certainly the continuation of a long diatribe that was made in the other place, but there were no real arguments and no real explanations. The Opposition hope that the Crown Agents' good work will continue long into the future, but whether that is possible remains to be seen.

Labour Members have expressed many doubts and concerns and I will express some more in a moment. The hon. and learned Member for Fife, North-East, who spoke on behalf of the Liberal Democrats, also expressed some concerns. It comes down to one word: trust. It is a question of whether we can trust the Government with an enabling Bill on such a vital issue. I hope to prove in more detail that it is difficult to trust the Government on this important issue.

The Crown Agents has been correctly referred to today as an organisation of which Britain can be proud. I was surprised when my hon. Friend the Member for Eccles (Miss Lestor) was taken to task because she said that it is an organisation that bats for Britain; it works for Britain and it looks after British interests. A Conservative Member took my hon. Friend to task and said that the Crown Agents' new-found independence will free it from having to look after British interests.

Labour Members are always accused of talking Britain down, but when my hon. Friend took the opportunity to talk Britain up, she was attacked from the other side. Would an equivalent French organisation, which had proved so successful in promoting French interests overseas, be endangered by a move into the private sector? I do not think that that would happen.

Lady Olga Maitland If the hon. Gentleman is so keen to talk Britain up, surely he would agree that we are giving the Crown Agents and the subsequent foundation the freedom to expand the business. The hon. Gentleman is trying to cramp the Crown Agents' style, hinder its business and snuff it out. Surely that is no help to anyone.

Mr. Foulkes I will come to that point in a moment. The hon. Lady is as vigorous in her intervention as she was in her speech. That is a constant refrain from Conservative Members, and particularly from Ministers. I do not wish to dodge the hon. Lady's question. The Government impose artificial and unnecessary limits on organisations in the public sector. When those organisations cannot achieve the targets that the Government have set, they then say that they must be privatised. There is an alternative—the Government could take away their arbitrary and unnecessary limitations.

Ministers say that the limitations are imposed by the Treasury, as though the Treasury were an ethereal body, completely separate from Government, which lays down immutable laws. That is not the case. Even the Chancellor of the Exchequer and the First Lord of the Treasury are not immovable, as the previous holder of the post of First Lord of the Treasury demonstrated. Governments can give commercial freedom to organisations without moving them from the public sector into the private sector.

Lady Olga Maitland Does the hon. Gentleman agree that, if the Crown Agents is retained within the state sector, it will give Governments the right to interfere? How do we know that Governments will not interfere in the Crown Agents' operations? We must set the Crown Agents free and enable it to make its own decisions.

Mr. Foulkes I will return to that point in a moment. The hon. Lady suggested in her speech that, while she did not want any interference in the operations of the foundation, she wanted some kind of supervision, protection and guarantees for its staff.

It may come as some surprise to you, Mr. Deputy Speaker, to learn that not all members of the parliamentary Labour party know about the full range of the Crown Agents' activities. The hon. and learned Member for Fife, North-East will know that in Scotland we have the Crown Estate Commissioners and other bodies with similar names which may be confused with the Crown Agents. I believe that the organisation can be best described as a facilitator, but perhaps that is a simplistic view that underestimates the Crown Agents' role. It has worked very hard to carve out an individual role within the current legislation which the Government are seeking to alter.

The Under-Secretary of State has said—and other hon. Members have repeated it—that the Crown Agents is one of the world's largest international public sector purchasing organisations. It has orders of £400 million placed every year and the hon. Lady referred to other statistics. It is a large organisation that works for major donors, such as the European Union, the United Nations, the World Bank and many individual Governments. It is a major international corporation that has built up an impeccable reputation throughout the world.

The developing world receives the Crown Agents' expertise in the form of sustainable development, institutional strengthening and disaster relief. The developed world channels aid funds through the Crown Agents, with the result that some two thirds of its business is aid funded. Both the recipients and the donors hold this uniquely British institution in the highest esteem.

We have been given examples of the Crown Agents' work, but I wish to underline the organisation's importance. It provides a wide range of humanitarian assistance. As chairman of the British Albanian group, I am particularly interested in its work in Albania. It has provided humanitarian assistance in the form of supplying and delivering emergency medical equipment for disadvantaged children.

Its work in the Caribbean has been mentioned. Following the hurricane in Jamaica, which caused so much devastation, the Crown Agents supplied roofing materials, corrugated sheeting, nails and ridge-capping, together with logistics support. In the Sudan it supplied antibiotics, bladder tanks, blankets, cutlery, cups, tents, trucks, polybags,

feeding kits, fast tanks and solar lamps as part of famine relief. [Interruption.] I am practising for when I am a Minister after the next election. The Minister is being disparaging.

Mr. Menzies Campbell Two assumptions.

Mr. Foulkes The hon. and learned Member for Fife, North-East is absolutely correct: I have made two assumptions. One is certain and the other may be less so.

In Albania the Crown Agents has provided procurement and quality standards input to a detailed audit of a small and medium enterprise development programme. In Dominica it reviewed social security fund portfolios with a view to adjusting asset allocations and risk to meet long-term economic objectives. In Hungary it assisted in the design of an improved system for tax administration. In Namibia the Crown Agents undertook a review of the staffing structure and operations of the national development corporation and in Vietnam it enhanced the effectiveness and efficiency of the banking sector through a sustained programme of technical assistance and staff training in a joint venture with the Institute of Computer-aided Management Foundation.

Mr. Nigel Evans rose—

Mr. Foulkes The hon. Member for Ribble Valley rises on cue. He wonders why I am mentioning the Crown Agents' achievements, because some of them involve the private sector, such as banking. That is the kind of work that the Crown Agents has performed in its existing form in the public sector. Why do we need to change it? If it ain't broke, why fix it?

Mr. Evans The hon. Gentleman is saying that a great wealth of experience and expertise has been built up over many years, along with a great trust in the Crown Agents. Therefore, why cannot we allow it to flourish and expand into other areas, simply building on what it has achieved rather than stifling it?

Mr. Foulkes The range of activities that I have described does not sound like stifling. I shall go even further into the issue that the hon. Gentleman has raised. To this day, the Crown Agents has successfully diversified its operations. We heard today about its beginnings in the 19th century and its procurement functions for colonial Government.

The Minister implied that the Crown Agents has been in the public sector only for the past 15 years. It has been a public corporation for the past 15 years, but before that it was certainly part of the Government and its staff were civil servants. According to a note that I have here, having been colonial servants, "They continued as civil servants under the aegis of the home government as the colonial empire waxed and waned, and continued to provide services to public authorities in Commonwealth countries after independence from British colonial rule." The staff of the Crown Agents have been in the public sector as colonial servants, home civil servants and members of a public corporation. It has diversified and persistent expansion has resulted in its currently having offices and representatives in 30 countries, as we heard tonight. That does not sound like stifling to me. It has operations in more than 130 countries. That is a long way from stifling.

Crown Agents is expanding and developing, and throughout that expansion it has never forgotten its developmental purpose and its principal role. That is important and crucial in what we are discussing today. It must never be allowed to forget its developmental purpose. The trust and responsibility that have been placed in its operations has never been subservient to commercial interests or to the interests of one particular company, sector or organisation.

The Opposition hope that Crown Agents is not forced into the commercial world with commercial pressure and increased commercialisation by a Government who are ideologically obsessed with their utopia of a free market which underlines and underpins almost everything they do.

The idea behind the Bill has been on the table for many years now. As long ago as 1984, the Minister for Overseas Development said that the Government were considering whether the Crown Agents could carry out its business in the private sector. The ill-conceived nature of the proposal was correctly put to the Minister by the Crown Agents. Meanwhile, other privatisations continued.

We cannot go into detail about the other privatisations, but the privatisation of water has not been a wholesale success. Prices have risen and those in charge of the industry have been awarded excessive wage increases, and similarly in electricity, telecom and gas. The hon. and learned Member for Fife North-East mentioned the non-democracy of the British Gas annual general meeting.

Mr. Jacques Arnold How can the hon. Gentleman say that the water industry has not been a success when our highly expert water companies in the private sector went to Latin America, as the hon. Gentleman knows well, and returned with \$2,000 million in contracts to provide British expertise to those countries in Latin America in terms of water supply and soiled water disposal? How can he say that that is not a good example of privatisation when it is bringing British privatised expertise to the third world?

Mr. Foulkes Exactly that could be done irrespective of whether the industry were in private or public ownership, so long as the constraints were changed. The Government have an almost Marxist view of life. They limit the power and scope of public enterprise and then say, "Look at this. They cannot do it. Is it not disgraceful? It shows the failure of public enterprise." [Interruption.] The hon. Member for Shrewsbury and Atcham (Mr. Conway) must not put me off.

The Government draw attention to the failure of public enterprise to increase the almost revolutionary fervour and desire for privatisation. It does not convince or fool the Opposition.

I know that the hon. Members for Ribble Valley (Mr. Evans) and for Worcester considered it too much of a fantasy to suggest that because Post Office privatisation flopped the Government scabbled around to find a figleaf to cover their embarrassment by the flop of the Post Office privatisation. The Government business managers said, "Find us something that we can say is privatisation, so that we can then say that the steam has not gone out of the privatisation programme." The Government's response was to introduce the Bill.

Mr. Jacques Arnold The hon. Gentleman asked for an example. I shall remind him of an attempt by government to go into business, which should be the preserve of private enterprise the first majority Labour Government's charge into the groundnut scheme. The hon. Gentleman might remember that it was a Labour Government who had to pick up the tab, no doubt at the expense of hospitals, schools and pensions, for example.

Mr. Foulkes That is a really up-to-date example. I could talk about the nationalisation of Rolls-Royce by a Tory Government. That is an example in the other direction. Some more contemporary examples might serve.

The Government were looking for a figleaf. They produced a hurriedly formulated proposal that went against the wishes of the Crown Agents. We know that the Crown Agents was against privatisation originally. It has had a gun put to its head. At the same time, its arm has been twisted. It has been told that if it does not accept the Bill, things could be worse for it. As a result, it has reluctantly accepted a foundation as a compromise solution. That response has been against the wishes of the staff, the trade unions and, most importantly, the clients of the Crown Agents.

The speed with which the Government filled up their ridiculed legislative programme resulted in the mess in which we now find ourselves. The Post Office fiasco caused the Tory party to recognise that privatisation is not the political answer to every problem that presents itself to a Government.

The hon. Member for Gravesham (Mr. Arnold) does not understand what new Labour means. Of course we oppose privatisation. I know that the hon. Gentleman is often in his place, but if he were in the Chamber for Question Time

and debates week after week he would be aware of our opposition to the privatisation of the Post Office. We have opposed the privatisation of British Rail and now we are faced with the privatisation of the Crown Agents. Of course we are against it.

As my hon. Friend the Member for York said, we are pragmatic. It is principled pragmatism.

Mr. Menzies Campbell Will the hon. Gentleman give way?

Mr. Jacques Arnold Will the hon. Gentleman give way?

Mr. Foulkes I shall give way to the hon. and learned Member for Fife, North-East.

Mr. Campbell Perhaps the hon. Gentleman will acknowledge the success of the opposition to another privatisation. I refer to the attempt to privatise the water industry in Scotland. The volume of opposition, if I may use the term, was so considerable when a referendum was held in Strathclyde that the Government were forced to back down.

Mr. Foulkes I am grateful to the hon. and learned Gentleman. His intervention has ridiculed what the hon. Member for Gravesham was saying. The Government did not press ahead in Scotland with the privatisation that they thought was so wonderful in England. They took that decision because we argued the case effectively. The hon. and learned Gentleman has produced an excellent example in the form of the Strathclyde referendum, in which 97 per cent. of those who voted opposed privatisation. I think that a Liberal councillor suggested that there should be a referendum. The suggestion was accepted by the Labour-controlled Strathclyde region. There were many who said that the authority's fingers would be burned, but the referendum was extremely successful from our point of view. The Government, rightly, did not go ahead with privatisation.

Mr. Nigel Evans The hon. Gentleman will have heard example after example of the concept of privatisation having been exported throughout the world, probably even to some of his most beloved socialist republics. Other countries have grasped and embraced privatisation because they see it as the future. Why is it that Opposition Members cannot see the benefit of the concept?

Mr. Foulkes I used to find it somewhat paradoxical to hear the former Prime Minister, now Baroness Thatcher, say that Thatcherism had been exported to every corner of the world. I note that the hon. Members for Sutton and Cheam and for Ribble Valley (Mr. Evans) nod in agreement. However, when we were faced with economic problems, Ministers said that they were the result of a worldwide recession. Might there not be some connection? Perhaps the worldwide recession was influenced somewhat by Thatcherism being exported throughout the world? I had better not go too far down that road. We are, of course, talking about the Crown Agents.

The use of the Crown Agents to fill a gap in the Government's failed legislative programme is disparaging to the work of the Crown Agents. We have all been in agreement today about the excellent work that it has done. Why should it be taken out of context, as a figleaf, as I said earlier, for the Government's gap in their privatisation programme?

We have heard about the similarities between the Crown Agents and the Post Office, those two great public sector corporations. This might answer the point raised by the hon. Member for Worcester. Both the Crown Agents and the Post Office seek greater freedom from Ministers—not surprisingly, incidentally—but that can and should be done with a view to retaining the nation's assets. We continually hear Conservative Members attacking the Labour party for, supposedly, as I said earlier, running down British interests, but the Crown Agents, like the Post Office and British Rail, is a national institution, which we are and should remain proud of, within the public sector.

The Crown Agents, in its annual report of 1993, stated publicly that it believes that the transfer is in the best interests of clients, aid programmes and of its employees. The Government cannot commend the work of the Crown Agents on the one hand and then on the other dictate to it that they know better when it comes to the future of the organisation.

We see that an awful lot in Scotland, as some of my hon. Friends will know, where Ministers come to us and say, "We want to consult you. We want to hear your views," only to pay no attention to them, because "we know better." It is that arrogance, that paternalism, that has resulted in the Government being so low in the national opinion polls today.

The Government have told us today that the Crown Agents must meet the changing needs in its market. That has been expressed by the Crown Agents, but to a lesser degree. The needs, though, of the beneficiaries of the work of the Crown Agents have not changed. The poverty statistics for the developing world continue to make grim reading, and the Crown Agents has the responsibility for the alleviation of some of that poverty.

In 1993, the Crown Agents managed disbursement arrangements for 150 British bilateral aid agreements worldwide, with a total value of £1.8 billion. That sort of commitment cannot be utilised for party political gain or for particular commercial purposes. Nor can it, to use a Government term, be distributed by hard-nosed business men. It needs to be distributed by people with a primary—if not a unique—interest in the development of the third world.

Mr. Luff If the hon. Gentleman is so hostile to the idea of the private sector and privatisation, what does he make of the fact that the Crown Agents makes a lot of its money out of advising foreign Governments on privatisation?

Mr. Foulkes The hon. Gentleman misses the point. He says that we are hostile to privatisation and also to the private sector. We have not said that we are hostile to the private sector. We say that there is a role for the private sector—of course there is—but we do not necessarily see the role of distributing money to third world recipients as part of an aid programme. We do not see that that should be part of the Crown Agents' responsibility.

I must move on, because I have quite a lot more to say. I am only on page four.

The Crown Agents, in its annual report, prides itself on being independent of any commercial interest. We have to be honest and say that there has been a tendency towards corruption in areas in the private sector, in privatised industries. To impose the Government's programme on the Crown Agents unnecessarily is placing political dogma before development.

I now deal with the foundation, which I think is the key part of this whole debate today. We have had frequent explanations from the Under-Secretary of State, in his speech and in detailed and helpful long interventions, but I think that they have rather unfortunately helped to obfuscate rather than clarify exactly the position.

In addition to the strong reservations expressed by Opposition Members, many reservations have been expressed and questions asked by Conservative Members. I pay tribute to Conservative Members for that. They make their points in a more polite, perhaps less trenchant, way than my hon. Friends, but, nevertheless, the questions, the challenges and the doubts are there.

We see in this legislation that there has been squabbling within the Government. We have seen that in other areas all too frequently. The full-scale trade sale or the public share issue has, apparently, been avoided in the interim—in the interim—but we must be cautious that it cannot take place in the future. Apprehensions about the Government's long-term plans for the Crown Agents are still prevalent, certainly among Opposition Members and, I am sure, elsewhere.

No one should be fooled by the simple promise of a foundation. The first opportune moment for the Crown Agents to be exposed to what was described by Conservative Members as the full rigours of the competitive free market environment could be utilised. The failure of some future legislative measure, perhaps even rail privatisation, could require the Crown Agents to be used again for full privatisation in order to try to obtain some money for the Exchequer.

The Minister has said that the Government's plans to reform the Crown Agents were being discussed in 1984. I said that myself earlier. They have continued for more than 10 years. It took nine years to decide that there would be a

foundation and that was announced in August 1993. As I said in my intervention on the Minister, for nearly two years now we have all waited patiently for the Government's social and developmental objectives to be outlined.

Our colleagues in another place have been given repeated assurances that we would be able to discuss such social objectives in this House and we are still waiting. We have been promised a foundation and we are being asked to trust the Government. However, the Government's record of broken promises does not inspire trust from this side of the House, nor do they deserve it.

We do not know what will happen after the five years. We may, in Committee, change that period. If the Secretary of State's oversight—this emerged from an intervention earlier—is necessary for the first five years, why, as my hon. Friend the Member for Eccles (Miss Lestor) rightly asked, is it not necessary afterwards? In some ways, the further one moves from the current position the more necessary it may be.

The lack of information being made available to Parliament also increases suspicion about the Government's negotiations or wranglings with the Crown Agents and, presumably, as the hon. Member for Sutton and Cheam said, the wranglings or negotiations with the Treasury for the best deal available.

In particular, the healthy state of the pension fund, a matter of particular concern to the trade unions, with a value of between £60 million and £70 million and an actuarial surplus of £19.5 million, means that beady eyes might be cast on it. Those funds have the potential to be siphoned off and used for other purposes. Those who serve on the Committee will have the important function of trying to obtain some assurances in relation to the pension fund.

In contrast to the 1979 Act, the Bill does not even mention the employment or pension rights of the staff who have been so highly praised by the Government and by Conservative Members. Surely, as I think the hon. Member for Sutton and Cheam was saying, something should be written into the Bill to protect their rights. Mere bland assurances from Ministers are no longer enough. Crown Agents' staff should have written into the Bill assurances about their terms and conditions, their right to trade union membership and a guarantee that the pensions will be protected.

In the other place, the Minister described the Bill as both unusual and usual in its form. That is symptomatic of the mess that the Government are in danger of making with an organisation that has requested simple reforms to allow for change. It does not wish to lose its developmental objective. I am sure that it is as eager as the rest of us to see the Government's idea of a social objective.

The guarantee that for five years the Crown Agents will be protected is ludicrous. As I said earlier, what will happen after that? The whole operation could be changed by members of the board, and sold off in pieces along with its developmental objectives. The pension fund and the financial services branch could become prey to big-city institutions. Such a scenario could come about if guarantees are not clearly set out in the Bill. My hon. Friend the Member for Eccles demanded such guarantees earlier.

Opposition Members are concerned about the subversion of parliamentary scrutiny. Crown Agents has been grateful for such scrutiny in the past. In 1979—to which the Minister referred—the responsibility and power of Parliament effectively saved Crown Agents, and put it back on the right path. Parliamentary scrutiny has been important throughout its long existence.

The problems of the mid-1970s, when the pursuit of financial gain overtook Crown Agents' responsibility, were ironed out in legislation. That legislation—although it was introduced by Labour Ministers—was implemented by a Conservative Government: a Conservative Government who now seek to allow Crown Agents to move outwith the accountability of the public sector, without proper explanation. I do not think that the company will be any safer in the private sector in the 1990s than it was in the 1970s, following the climate created by BCCI, Barings—which was mentioned earlier—and all the private sector problems of the past decade.

Over the years, Parliament has become increasingly familiar with a phrase that is written into Bills—"The Secretary of State may". This Bill has taken that to extremes: the phrase appears nearly as many times as the Bill has clauses. Some of my colleagues have described the Bill as a skeleton, but I consider that an exaggeration. It does not contain even any bare bones of legislation; all that we have are a few clauses, hastily thrown together, allowing the Secretary of State to do as he pleases.

Empty promises from Ministers are no longer good enough. We demand from the Minister that the memorandum and articles of association of the company be made available to be addressed fully in Committee, as required by my hon. Friend the Member for Eccles.

The hon. Member for Sutton and Cheam asked whether the company should be a charity. I know that its employees have some anxieties about what that might actually mean. What about the membership of the foundation? We have heard question after question about how that membership should be chosen. Will it ultimately become a self-perpetuating oligarchy? Will there be any accountability, beyond the foundation, to Parliament, the courts or the charity commissioners? A degree of accountability is needed beyond the membership of a self-perpetuating board.

What powers will the Secretary of State have in relation to the foundation after the five-year or other period? We have heard what happens in the event of a profit; what happens if there is a loss? This foundation or operating company may not always create a profit. Will it go into liquidation? What will happen to its projects in that event? At present the Government are there to help, but that long stop will not be available in the private sector.

The Government's argument for reform of Crown Agents does no justice to the valuable work that it has undertaken. As I said earlier in reply to a number of interventions, the commercial freedoms that it requires could be easily achieved by simple amendments to the 1979 Act; there is no need to change the whole nature of Crown Agents itself.

The hon. Member for Carshalton and Wallington (Mr. Forman) spoke of extra work with local authorities. The hon. Member for Broxtowe (Mr. Lester) spoke of greater freedom—the acceptance of contracts from the private sector and public sector bodies other than the ODA. All that can be achieved by the granting of commercial freedom within the public sector. There is no need to privatise to achieve that.

Mr. Mike Watson (Glasgow, Central) Will my hon. Friend comment on the fact that the Commonwealth Development Corporation is not being required to be privatised? There are many similarities in the services that the two bodies provide. Why should there be restrictions on but no privatisation of the Commonwealth Development Corporation while what is clearly the first step to privatisation of the Crown Agents is under way through the Bill?

Mr. Foulkes My hon. Friend is right. That question was raised and the hon. Member for Broxtowe tried to answer it. He certainly did not convince me. I hope that the Minister will try to answer it, but I do not think that he will succeed, because there is no answer. The matter was raised by my hon. Friend Lord Judd in another place, by my hon. Friend the Member for Eccles and outwith the Houses of Parliament. It has not been answered adequately; the CDC is a very similar body but it is not to be privatised.

The Government have failed to prove that the reforms will result in an improvement to the service provided or even in any savings to the taxpayer. The only justification for such a measure is the obsession with privatisation as the epitome of Conservative philosophy even when no improvement can be shown.

Mr. Watson Dogma.

Mr. Foulkes It is dogma every time.

The Government's attitude to the Bill is, as my hon. Friend the Member for Glasgow, Central (Mr. Watson) rightly said, at odds with the treatment being given to the CDC.

The Minister for Overseas Development, when speaking on the Bill in another place, said that she did not wish to make the organisation the subject of party politics. That contention was admirable and one which the Labour party would support in regard to an organisation which has all-party backing. However, one cannot request such support when an organisation has been used to resolve ideological problems in the Tory party.

The Bill is going to bring in privatisation for the Crown Agents unless we introduce the necessary safeguards. [Interruption.] I am actually being helpful, if Conservative Members would listen for a change instead of barracking.

If the Minister was willing to come up with the safeguards that we demand—and that some Conservative Members have requested—we could consider the possibility of accepting the changes that are being proposed. We could do that as long as we had safeguards that the Crown Agents is not going to be privatised—that Lonrho or some other international corporation will not snap it up. There are no such protections written into the Bill at the moment.

The advice of the Crown Agents itself has been ignored. There has been a continual refusal to let all concerned analyse and seek to improve the foundation and to guarantee the continuing nature of the foundation. The Government refuse to entertain even a constructive dialogue about the future of the Crown Agents. Secrecy surrounds the whole Bill.

Mr. Forman Will the hon. Gentleman give way?

Mr. Foulkes I was coming to the end, but I shall give way.

Mr. Forman Before the hon. Gentleman perorates, he said that the advice of the Crown Agents has been ignored. We clashed on that point earlier. What evidence has he? It is not my impression at all.

Mr. Foulkes It is in the 1993 annual report. There have been negotiations and, of course, the chairman and members of the board have altered their views as time has gone on. The Government may argue that they have persuaded the board that the Bill is the best course. I think that the board has accepted that the Government have a majority in the House and can legislate for whatever Conservative Members want. The board has therefore said, "Okay, let's compromise; let's have a foundation. It is better than going totally into the private sector." There has been some toing and froing. All the indications that I have suggest that even at the very top, Crown Agents was initially reluctant to change from the present situation. It was only after pressure and arm-twisting that it moved in that direction.

Mr. Forman Does the hon. Gentleman agree that while there may have been understandable initial doubts and questions, the position in 1995 is that the senior management and the staff of the Crown Agents are enthusiastic about the change and wish it to proceed?

Mr. Foulkes No, that is not my interpretation. Crown Agents has been given Hobson's choice and has to go along with it because it knows that there is no alternative if the Government force this measure through. Unlike some Conservative Members, I am not a dogmatist: I am reasonable. I hope that the Committee will look at ways of improving the Bill and extracting guarantees, to ensure that this foundation will be as workable as possible. That is only reasonable.

I should prefer no change at all. The Government, I believe, are moving in the wrong direction. The secrecy surrounding the Bill and the attempts to avoid parliamentary scrutiny arouse our suspicions of a Government who have to be judged on their actions. We oppose this back-door privatisation and want Government commitments, made to the House. Until we get the undertakings about the foundation that we want, we shall believe that dogma has once again triumphed over judgment. I ask my colleagues to join me in voting against the Bill in the Lobby tonight.

Mr. Baldry With the leave of the House, I shall reply to the debate.

It is always a great pleasure to debate with the hon. Member for Carrick, Cumnock and Doon Valley (Mr. Foulkes) because his wind-up speeches are always a cheering experience. Indeed, the last time he and I debated in the House he was so magnificent that our former colleague Matthew Parris felt obliged to write the next day in *The Times*: "I can report that he was magnificent. This tubby whirlwind, creating his own weather system, blew himself into a localised but intense hurricane, bellowed 'systematic abuse and corruption!' at the Tories, and so impressed" friends behind him that they called for morning sittings on Mondays, Tuesdays and Thursdays as well.

It is all great fun, but the truth is that precisely two Labour Back Benchers spoke in today's debate. It is therefore ludicrous of the hon. Gentleman to talk about a subversion of parliamentary scrutiny. The Government dedicated an entire day of prime parliamentary time to this Bill; only two Labour Back Benchers have taken part, one of whom was not here for the opening or closing speeches. I appreciate that he is serving on a Committee, but it is clear that the vast majority of Opposition Members who eventually serve on the Committee will not even have heard any of today's debate. That is why one does not take the hon. Gentleman's farrago too seriously.

The first important issue before us is the question of trust. The hon. Member for York (Mr. Bayley) was perfectly correct to say that the House will have to decide whether it trusts the Government's good intentions in respect of the best future for Crown Agents as we move into the 21st century. I am sure that I can count on the trust of all Conservative Members, but nothing I could say—no undertakings, no guarantees, no memorandums or articles of association—would satisfy Opposition Members on the question of trust.

The reason is that the debate hinges not just on trust but on a second important element—the fact that the Labour party opposes privatisation altogether. Just because the word "privatise" appeared in the original press release on the future of Crown Agents, the Labour party decided to oppose this measure, come what may. It would be impossible, therefore, for me to convince the Labour party to support this Bill, because it is determined to oppose any legislation that turns a public sector body into a private sector one.

I think that the hon. Member for Carrick, Cumnock and Doon Valley misunderstood my point about the Crown Agents being a public corporation for just 15 years. For most of the 162 years of its history it has functioned, in effect, as a private organisation. The statement by the Crown Agents in 1954, which I read at some length, made that quite clear. It was only because of the financial crisis in its account activities in the mid-1970s that the 1979 legislation was introduced.

At that time, Judith Hart was Minister of State for Overseas Development, and it is quite clear from her Second Reading speech that the Government at that time deliberately intended that the constraints upon the Crown Agents should be tight and that there should be strict provisions about reserves, borrowing powers and audit arrangements. The whole purpose of the 1979 legislation was to seek to ensure that the Crown Agents never again got into the sort of pickle in which it found itself in the mid-1970s.

For a long time, we have taken the view that Crown Agents' business can be better carried out in the private sector. We believe that transfer to the private sector will strengthen its ability to meet the needs of its customers, particularly in developing countries, and will end the requirement for the Government to involve themselves in the details of Crown Agents' business. Of course, the Government will continue to have an interest as a major client, but the current Act reflects the circumstances of 1979. It is too prescriptive and too limiting. For example, it requires an affirmative order for Crown Agents to carry out own-right activities beyond those that are set out in the Act. It requires the Minister for Overseas Development to consent to what are properly business decisions for Crown Agents. Those include the formation of companies, the appointment of directors to subsidiaries and so on.

It is ludicrous that Ministers should have to get involved in such detail. But that detail was in the 1979 Act, which was brought about by circumstances that are irrelevant today. That is not the right framework for today's Crown Agents. It is right to replace the 1979 Act with a framework for the future which provides the freedoms that are available to a

private sector body and which also safeguard the Crown Agents' unique role and character. The proposed foundation will do that.

The hon. Member for Carrick, Cumnock and Doon Valley asked why we could not retain Crown Agents in the public sector and give it greater freedom. That is the wrong question, although it is of course always the question that the Labour party asks. The philosophical divide between us is that the question that we ask is: "Why should the Crown Agents continue to be owned by the Government?" The Crown Agents' main work has always been as an agent of what are now independent Governments and, increasingly, aid agencies and Governments of all parties have been careful not to intervene in that. Clearly, more and more of the Crown Agents' work will, hopefully, involve winning business from overseas Governments, multilateral agencies and other organisations.

It may have been right for the Government in 1979 to take powers to provide a framework of control for Crown Agents' activities, but it has been perfectly clear for a long time that those activities can be and will be better carried out in the private sector. We want to be able to stand back from the detailed control of Crown Agents but, of course, we cannot do that if we have to continue to bear ultimate financial responsibility. Government ownership—state ownership—requires the state to take an interest or, as some would say, to interfere.

We think that the most appropriate framework for control will be provided by a private sector foundation. That would give Crown Agents' international clients the assurances that they require, and we are confident that it would also ensure that there is no repetition of the events which influenced the 1979 legislation. We shall, of course, continue to retain an interest as a customer of Crown Agents.

Some of my colleagues have said, "Is not having Crown Agents moving into the private sector and having a foundation, with the profits of Crown Agents being reinvested for development purposes, somewhat tame?" My hon. Friend the Member for Worcester (Mr. Luff) suggested that we should consider a trade sale. A trade sale would, however, be wholly inappropriate for Crown Agents because of its particular contribution to development, which we and everyone else feel is important to retain. There is no way in which I can convince Opposition Members that we wish Crown Agents to continue its developmental role because it is clear that they are opposed to the Bill simply because it will move Crown Agents from the public to the private sector.

Mr. Foulkes I have a simple point for the Minister. He would have a much better chance of convincing us if he produced the memorandum and articles of association so that we knew exactly what he was talking about.

Mr. Baldry The hon. Gentleman refers to the memorandum and the articles of association, and others have referred to the Coopers and Lybrand report. As I have endeavoured to explain to the House on several occasions today, we want to get this right. In all fairness, one could argue both ways on some of the issues. I have no doubt that if I had said in the House this afternoon that we had considered the issue of charitable status for Crown Agents and that we had decided against it because it would provide an extra tier of external influence and control over the foundation, some Opposition Members would have said that that proved that the Government were simply seeking to set up a foundation for five years and then to hand over Crown Agents.

A number of important issues have to be taken into account and we need to get them right. Charitable status may not be the right way forward for Crown Agents. My hon. Friend the Member for Sutton and Cheam (Lady Olga Maitland) raised some of the concerns about that which, I suspect, reflect concerns that have been expressed to her by some of the management of Crown Agents. That is a perfectly respectable and honourable thing for them to do because she is their Member of Parliament.

I assure the hon. Member for Carrick, Cumnock and Doon Valley that our not having yet produced the memorandum and articles of association is not the result of our wishing to hide anything from the House or to misinform it. The

reason is simply that it is important that we get this right for the future of Crown Agents and for the future of those who work with it.

I am not, of course, insensitive to the fact that, in the not too distant future, we shall take the Bill into Committee. I am not insensitive to the fact that all of us will be better prepared if more information is given to the Committee. However, as I said earlier, I will not give a guarantee that the memorandum and articles of association will be in their final form when the Bill goes into Committee. However, the hon. Member for Carrick, Cumnock and Doon Valley can be assured that I will seek to ensure that the Committee is as informed as it can be so that we can have a sensible and serious debate.

Mr. Oliver Heald (Hertfordshire, North) Does my hon. Friend agree that on Second Reading the important issue is the principle? The principle must be that the efficient supply and provision of goods and services is always better in the private sector than in the public sector. The difference between 1979 and now is that that principle is even better established under this Conservative Government.

Mr. Baldry That point has been part of our debate. Conservative Members have made clear the successes that privatisation generally has brought for the United Kingdom; we have heard myriad examples.

Mr. Foulkes The Minister was being quite helpful before that intervention. Would he consider making the draft of the memorandum and articles of association available while the Bill is in Committee? Some members of the Committee, including even one or two Opposition Members, may have useful comments about charitable status versus some other status. To have a draft in Committee would be helpful. The Minister was edging towards being helpful, and I am sure that the Whip will not mind too much if he goes the whole hog.

Mr. Baldry I appreciate that it comes hard to the hon. Gentleman to have to acknowledge that on occasions—or rather often, or even always—Ministers seek to be helpful. As I see it, my responsibility here is to take the legislation through the House. Life is too short for us all to spend every Tuesday and Thursday morning having sterile debates about fantasies that do not exist. Obviously, I shall take such steps as I can to enable the hon. Gentleman to understand that the Bill represents a wholehearted commitment to the future of Crown Agents into the 21st century.

Mr. Menzies Campbell Now that the Minister has started to mine that rich vein of co-operation, will he consider producing the parts of the Coopers and Lybrand report that are not commercially confidential? The whole report cannot be so described; there must be passages dealing with the question of structure that are entirely germane to some of the issues raised in the debate. Surely it would assist the Committee if those parts of the report could be produced.

Mr. Baldry The hon. and learned Gentleman made an uncharacteristically brief speech, lasting for about six minutes—

Mr. Campbell Seven minutes.

Mr. Baldry I apologise; it lasted seven minutes. Anyway, the hon. and learned Gentleman seems to have fixed on the Coopers and Lybrand report. However, in the context of the debate that report is pretty much history. The Government's responsibility is to bring proposals before the House, and we have made clear proposals, which I explained earlier in considerable detail. We shall have a foundation, whose members will be concerned with the development of Crown Agents, which will be responsible for the operating company, whose profits will be reinvested for the developmental objectives of the foundation.

That is perfectly straightforward and clear. Given the circumstances of Crown Agents, we seek to ensure that that great British success story continues as such.

Mr. Enright Will the Minister give way?

Mr. Baldry I shall not give way again now—[HoN. MEMBERS: "Why not?"] I have given way quite a lot and I shall give way again, but first I must cover some of the points raised by some of my hon. Friends and by Opposition Members.

I have been asked why we are treating Crown Agents differently from the Commonwealth Development Corporation. As my hon. Friend the Member for Broxtowe (Mr. Lester) said, they are different organisations. The job of CDC is to act as a catalyst for private sector investment in developing countries, showing others that they can invest profitably in poorer countries. However, it has a mandate to pursue the investments that the private sector regards as being on the margins of acceptable risk, and a CDC owned by the private sector would be bound to take a different attitude to profit and risk. That would be incompatible with the development objectives that the Government want CDC to pursue.

Public sector status is also valuable to CDC in its dealings with the Governments of the countries in which it operates. The two organisations are very different, and we believe it right for CDC to remain in the public sector while, for different reasons, Crown Agents moves towards the private sector. That is not an ideological hang-up; we are simply looking at each organisation and deciding what is in the best interests of each.

The hon. Member for Eccles (Miss Lestor) asked what guarantee there was that Crown Agents' business would not fail after transfer, and what would happen if it did. Indeed, for the few Opposition Members who have taken part in it, the whole debate has been characterised by an attempt to think up the worst possible scenarios. However, Crown Agents has about 150 international clients, including the Overseas Development Administration, for which it provides a wide range of services. Transfer to the foundation will give it greater freedom to meet its clients' needs.

The House can have every confidence that the proposed foundation has a bright future. Of course there can be no Government guarantee of success. Management of the foundation will be the responsibility of its members and board, who will have been chosen for their experience and expertise. I see no reason why the foundation should not succeed.

My hon. Friend the Member for Carshalton and Wallington (Mr. Forman) asked if I would set out clearly the reserve powers of the Secretary of State, but his powers will be set out clearly in the foundation's memorandum and articles of association. The reserve powers exist to provide a period during which the foundation's structure can bed down satisfactorily. Opposition Members have suggested that the Crown Agents will be up for grabs following the five-year period. That simply will not be so, as anyone who actually understands the nature of the structure under which the foundation of the Crown Agents will be established would realise.

My hon. Friend was also concerned about the control of the foundation on the operating company in respect of day-to-day commercial decisions. I made it clear that the foundation will be the shareholder in the operating company and will appoint the directors. But it will not have a role in the day-to-day decisions, which obviously will be the responsibility of the directors of the operating company. Those directors will seek to ensure that the new Crown Agents makes a proper return, as they will know that those profits will be reinvested for developmental purposes.

Moving the Crown Agents out of the public into the private sector will, as my hon. Friend said, give the Crown Agents greater freedoms. It will enjoy the same rights as other UK companies, and will be freed from the limitations imposed by the Crown Agents Act 1979. As the foundation expands, it will be able to accept business in its own right, and it will also be able to accept contracts from private sector clients, which it cannot do at present.

The Crown Agents will be able to accept contracts from public sector bodies in the UK other than the Overseas Development Administration. Health authorities and other organisations, which at present cannot use the procurement expertise of the Crown Agents, will now be able to do so. All of those matters will certainly lead to a greater turnover of the Crown Agents' business.

The Crown Agents will be able to take investment decisions that currently require ministerial consent. As my hon. Friend the Member for Sutton and Cheam said, it is ludicrous that whenever the Crown Agents wants to take practically any decision, it must come to Ministers for our personal imprimatur.

For all those reasons, the Bill will give the Crown Agents considerable freedoms, powers and abilities which will be to the benefit of the Crown Agents and the work it is doing throughout the world.

The powers of the foundation—which will be set out in the memorandum and articles of association—will ensure that it can use its profits for the development of the Crown Agents' business through the operating company, which will be free to make new acquisitions for social and developmental purposes. As my hon. Friend said, there are a number of organisations which could easily find a greater synergy if they were owned by the Crown Agents.

The Bill has a firm, positive and constructive intention to put the Crown Agents in a far stronger position. The debate has been characterised by a vein of ideological disputation that the very fact that it was being moved from the public to the private sector would somehow undermine the developmental purposes of the Crown Agents.

The hon. Member for Hemsworth (Mr. Enright) was one of only two Labour Back Benchers to take part in this debate. It is a sorry state when as many Opposition Front-Bench spokesmen take part in a debate as Back Benchers. If that is new Labour, it is a pitiful sight. The hon. Gentleman suggested that, by moving the Crown Agents into the private sector, privatisation would put profit before developmental purpose. He clearly fails to understand that the profits made by the Crown Agents will not be distributed to members but will be reinvested in the foundation's work.

The foundation will be constituted as a company limited by guarantee to preserve the essential character of the Crown Agents. As members of the foundation will not receive dividends, and there will be no unit of proprietorship to sell, the foundation will not be subject to commercial pressures from its members, which would conflict with its other objectives. Obviously, it will be expected to act in a commercial environment in a commercial way. Hopefully, the benefit of that will be that it will make profits which it can then reinvest for developmental purposes.

My hon. Friend the Member for Sutton and Cheam expressed concern about capital structure. We are determined that the Crown Agents should start on a sound footing but there are certain consequences of the Crown Agents moving from the public to the private sector. One of those consequences is that one of its loans must be repaid because it cannot be sustained in the private sector. The fact that that loan must be repaid will be taken into account when considering the capital structure for the Crown Agents at the time of transfer.

However, it has been made clear to the House this afternoon that the Bill is not about seeking to raise large sums of money for the taxpayer; it is about trying to ensure the correct and proper structure for the Crown Agents as we approach the 21st century. Like my hon. Friend, we wish to ensure that the Crown Agents has a sound structure.

This enabling Bill ensures two steps: first, the transfer of business from the present statutory corporation to a successor company set up under the Companies Act 1989; and, secondly, the Secretary of State transferring that successor company to a new owner, the proposed foundation.

The hon. Member for Carrick, Cumnock and Doon Valley asks about the staff. Naturally, it is important that they be reassured and I take this opportunity yet again to put on record that there will be continuity of treatment for Crown Agents' staff and their pensions. I am not sure how often I must say that.

Mr. Foulkes How can the Minister guarantee that if it is not written into the Bill and he does not continue to have control after five years? After five years, the Secretary of State loses control and has no power to guarantee it.

Mr. Baldry The hon. Gentleman misunderstands. I explained in opening the debate that TUPE applies to this legislation. I have explained that we have no intention of changing the relationship with trade unions and it has been

made clear that the Crown Agents has no intention of making redundancies as a consequence of the Bill. I can explain that time after time but it is clear that Opposition Members are determined to try to create in the minds of those who work for the Crown Agents the fear that, by being moved from the public to the private sector, their future will somehow be jeopardised.

This is a sensible Bill, which will enable the Crown Agents to move forward into the 21st century as a continuing great British success story. It is one of the largest procurement agencies in the world. It is an organisation of which we can be rightly proud. If the House gives the Bill a Second Reading, as I am sure it will, the Crown Agents will go forward from strength to strength and make a considerable contribution to Great Britain's reputation around the world. It will also make a considerable contribution to the development policies which I believe every responsible Member of the House wants to see Britain promote.

Question put, That the Bill be now read a Second time:—

The House divided: Ayes 302, Noes 259.

Division No. 158]	[9.59 pm
AYES	
Ainsworth, Peter (East Surrey)	Bruce, Ian (Dorset)
Aitken, Rt Hon Jonathan	Budgen, Nicholas
Alexander, Richard	Burns, Simon
Alison, Rt Hon Michael (Selby)	Burt, Alistair
Allason, Rupert (Torbay)	Butler, Peter
Amess, David	Butterfill, John
Arbuthnot, James	Carlisle, John (Luton North)
Arnold, Jacques (Gravesham)	Carlisle, Sir Kenneth (Lincoln)
Arnold, Sir Thomas (Hazel Grv)	Carrington, Matthew
Ashby, David	Carttiss, Michael
Atkins, Robert	Cash, William
Atkinson, David (Bour'mouth E)	Channon, Rt Hon Paul
Atkinson, Peter (Hexham)	Churchill, Mr
Baker, Rt Hon Kenneth (Mole V)	Clappison, James
Baker, Nicholas (North Dorset)	Clark, Dr Michael (Rochford)
Baldry, Tony	Clarke, Rt Hon Kenneth (Ru'clif)
Banks, Matthew (Southport)	Clifton-Brown, Geoffrey
Banks, Robert (Harrogate)	Coe, Sebastian
Bates, Michael	Colvin, Michael
Batiste, Spencer	Congdon, David
Bellingham, Henry	Conway, Derek
Bendall, Vivian	Coombs, Anthony (Wyre For'st)
Beresford, Sir Paul	Coombs, Simon (Swindon)
Biffen, Rt Hon John	Cope, Rt Hon Sir John
Body, Sir Richard	Couchman, James
Bonsor, Sir Nicholas	Cran, James
Booth, Hartley	Currie, Mrs Edwina (S D'by'ire)
Boswell, Tim	Curry, David (Skipton & Ripon)
Bottomley, Peter (Eltham)	Davies, Quentin (Stamford)
Bottomley, Rt Hon Virginia	Davis, David (Boothferry)
Bowden, Sir Andrew	Day, Stephen
Bowis, John	Deva, Nirj Joseph
Boyson, Rt Hon Sir Rhodes	Devlin, Tim
Brandreth, Gyles	Dicks, Terry
Brazier, Julian	Dorrell, Rt Hon Stephen
Bright, Sir Graham	Douglas-Hamilton, Lord James

Browning, Mrs Angela	Dover, Den
Duncan, Alan	Jones, Robert B (W Hertfdshr)
Duncan-Smith, Iain	Jopling, Rt Hon Michael
Dunn, Bob	Kellett-Bowman, Dame Elaine
Durant, Sir Anthony	Key, Robert
Dykes, Hugh	King, Rt Hon Tom
Eggar, Rt Hon Tim	Kirkhope, Timothy
Elletson, Harold	Knapman, Roger
Emery, Rt Hon Sir Peter	Knight, Mrs Angela (Erewash)
Evans, David (Welwyn Hatfield)	Knight, Greg (Derby N)
Evans, Jonathan (Brecon)	Knight, Dame Jill (Bir'm E'st'n)
Evans, Nigel (Ribble Valley)	Knox, Sir David
Evans, Roger (Monmouth)	Kynoch, George (Kincardine)
Evennett, David	Lait, Mrs Jacqui
Faber, David	Lamont, Rt Hon Norman
Fabricant, Michael	Lang, Rt Hon Ian
Fenner, Dame Peggy	Lawrence, Sir Ivan
Field, Barry (Isle of Wight)	Legg, Barry
Forman, Nigel	Leigh, Edward
Forsyth, Rt Hon Michael (Stirling)	Lennox-Boyd, Sir Mark
Forth, Eric	Lester, Jim (Broxtowe)
Fowler, Rt Hon Sir Norman	Lidington, David
Fox, Dr Liam (Woodspring)	Lilley, Rt Hon Peter
Fox, Sir Marcus (Shipley)	Lloyd, Rt Hon Sir Peter (Fareham)
Freeman, Rt Hon Roger	Lord, Michael
French, Douglas	Luff, Peter
Fry, Sir Peter	Lyell, Rt Hon Sir Nicholas
Gale, Roger	MacGregor, Rt Hon John
Gardiner, Sir George	MacKay, Andrew
Garel-Jones, Rt Hon Tristan	Maclean, David
Garnier, Edward	McLoughlin, Patrick
Gill, Christopher	McNair-Wilson, Sir Patrick
Gillan, Cheryl	Madel, Sir David
Goodson-Wickes, Dr Charles	Maitland, Lady Olga
Gorman, Mrs Teresa	Major, Rt Hon John
Gorst, Sir John	Malone, Gerald
Grant, Sir A (SW Cambs)	Mans, Keith
Greenway, Harry (Ealing N)	Marland, Paul
Greenway, John (Ryedale)	Marlow, Tony
Griffiths, Peter (Portsmouth, N)	Marshall, John (Hendon S)
Gummer, Rt Hon John Selwyn	Marshall, Sir Michael (Arundel)
Hague, William	Martin, David (Portsmouth S)
Hamilton, Fit Hon Sir Archibald	Mawhinney, Rt Hon Dr Brian
Hamilton, Neil (Tatton)	Mellor, Rt Hon David
Hampson, Dr Keith	Merchant, Piers
Hanley, Rt Hon Jeremy	Mills, Iain
Hannam, Sir John	Mitchell, Andrew (Gedling)
Hargreaves, Andrew	Mitchell, Sir David (NW Hants)
Harris, David	Moate, Sir Roger
Haselhurst, Alan	Monro, Sir Hector
Hawkins, Nick	Montgomery, Sir Fergus
Hawksley, Warren	Needham, Rt Hon Richard
Hayes, Jerry	Nelson, Anthony
Heald, Oliver	Neubert, Sir Michael
Heath, Rt Hon Sir Edward	Newton, Rt Hon Tony

Heathcoat-Amory, David	Nicholls, Patrick
Hendry, Charles	Nicholson, David (Taunton)
Heseltine, Rt Hon Michael	Nicholson, Emma (Devon West)
Hicks, Robert	Norris, Steve
Higgins, Rt Hon Sir Terence	Onslow, Rt Hon Sir Cranley
Hill, James (Southampton Test)	Oppenheim, Phillip
Hogg, Rt Hon Douglas (G'tham)	Ottaway, Richard
Horam, John	Page, Richard
Hordern, Rt Hon Sir Peter	Patnick, Sir Irvine
Howard, Rt Hon Michael	Patten, Rt Hon John
Howarth, Alan (Strat'rd-on-A)	Pattie, Rt Hon Sir Geoffrey
Howell, Rt Hon David (G'dford)	Pawsey, James
Hughes, Robert G (Harrow W)	Peacock, Mrs Elizabeth
Hunt, Sir John (Ravensbourne)	Pickles, Eric
Hunter, Andrew	Porter, David (Waveney)
Hurd, Rt Hon Douglas	Portillo, Rt Hon Michael
Jack, Michael	Powell, William (Corby)
Jackson, Robert (Wantage)	Redwood, Rt Hon John
Jenkin, Bernard	Renton, Rt Hon Tim
Jessel, Toby	Richards, Rod
Johnson Smith, Sir Geoffrey	Riddick, Graham
Jones, Gwilym (Cardiff N)	Rifkind, Rt Hon Malcolm
Robathan, Andrew	Thomason, Roy
Roberts, Rt Hon Sir Wyn	Thompson, Sir Donald (C'er V)
Robertson, Raymond (Ab'd'n S)	Thompson, Patrick (Norwich N)
Robinson, Mark (Somerton)	Thornton, Sir Malcolm
Roe, Mrs Marion (Broxbourne)	Thurnham, Peter
Rowe, Andrew (Mid Kent)	Townend, John (Bridlington)
Ryder, Rt Hon Richard	Townsend, Cyril D (Bexl'yh'th)
Sackville, Tom	Tracey, Richard
Sainsbury, Rt Hon Sir Timothy	Tredinnick, David
Shaw, David (Dover)	Trend, Michael
Shaw, Sir Giles (Pudsey)	Trotter, Neville
Shephard, Rt Hon Gillian	Twinn, Dr Ian
Shepherd, Colin (Hereford)	Vaughan, Sir Gerard
Shepherd, Richard (Aldridge)	Viggers, Peter
Shersby, Michael	Waldegrave, Rt Hon William
Sims, Roger	Walden, George
Smith, Sir Dudley (Warwick)	Walker, Bill (N Tayside)
Smith, Tim (Beaconsfield)	Waller, Gary
Soames, Nicholas	Ward, John
Speed, Sir Keith	Wardle, Charles (Bexhill)
Spencer, Sir Derek	Waterson, Nigel
Spicer, Sir James (W Dorset)	Watts, John
Spicer, Michael (S Worcs)	Wells, Bowen
Spink, Dr Robert	Wheeler, Rt Hon Sir John
Spring, Richard	Whitney, Ray
Sproat, Iain	Whittingdale, John
Squire, Robin (Hornchurch)	Widdecombe, Ann
Stanley, Rt Hon Sir John	Wiggin, Sir Jerry
Steen, Anthony	Wilkinson, John
Stephen, Michael	Willets, David
Stern, Michael	Wilshire, David
Streeter, Gary	Winterton, Mrs Ann (Congleton)
Sumberg, David	Winterton, Nicholas (Macc'fld)

Sweeney, Walter	Wolfson, Mark
Sykes, John	Wood, Timothy
Tapsell, Sir Peter	Young, Rt Hon Sir George
Taylor, Ian (Esher)	
Taylor, John M (Solihull)	Tellers for the Ayes:
Taylor, Sir Teddy (Southend, E)	Mr. David Lightbown and
Temple-Morris, Peter	Mr. Sydney Chapman.
NOES	
Abbott, Ms Diane	Chidgey, David
Ainger, Nick	Chisholm, Malcolm
Alton, David	Church, Judith
Anderson, Donald (Swansea E)	Clapham, Michael
Anderson, Ms Janet (Ros'dale)	Clark, Dr David (South Shields)
Armstrong, Hilary	Clarke, Eric (Midlothian)
Ashton, Joe	Clarke, Tom (Monklands W)
Austin-Walker, John	Clelland, David
Barnes, Harry	Clwyd, Mrs Ann
Barron, Kevin	Coffey, Ann
Battle, John	Cohen, Harry
Bayley, Hugh	Connarty, Michael
Beckett, Rt Hon Margaret	Cook, Robin (Livingston)
Beith, Rt Hon A J	Corbyn, Jeremy
Bell, Stuart	Corston, Jean
Benn, Rt Hon Tony	Cousins, Jim
Bennett, Andrew F	Cummings, John
Bermingham, Gerald	Cunningham, Jim (Covy SE)
Berry, Roger	Cunningham, Rt Hon Dr John
Betts, Clive	Dafis, Cynog
Blunkett, David	Davidson, Ian
Boateng, Paul	Davies, Bryan (Oldham C'tral)
Bradley, Keith	Davies, Rt Hon Denzil (Llanelli)
Bray, Dr Jeremy	Davies, Ron (Caerphilly)
Brown, Gordon (Dunfermline E)	Davis, Terry (B'ham, H'dge H'I)
Brown, N (N'c'tle upon Tyne E)	Denham, John
Burden, Richard	Dewar, Donald
Byers, Stephen	Dixon, Don
Caborn, Richard	Dobson, Frank
Callaghan, Jim	Donohoe, Brian H
Campbell, Mrs Anne (C'bridge)	Dowd, Jim
Campbell, Menzies (Fife NE)	Dunnachie, Jimmy
Campbell-Savours, D N	Dunwoody, Mrs Gwyneth
Cann, Jamie	Eagle, Ms Angela
Eastham, Ken	Loyden, Eddie
Enright, Derek	Lynne, Ms Liz
Etherington, Bill	McAllion, John
Evans, John (St Helens N)	McAvoy, Thomas
Fatchett, Derek	McCartney, Ian
Field, Frank (Birkenhead)	Macdonald, Calum
Fisher, Mark	McFall, John
Flynn, Paul	McKelvey, William
Forsythe, Clifford (S Antrim)	Mackinlay, Andrew
Foster, Rt Hon Derek	McLeish, Henry
Foster, Don (Bath)	McMaster, Gordon
Foulkes, George	MacShane, Denis
Fraser, John	Madden, Max

Fyfe, Maria	Maddock, Diana
Galbraith, Sam	Mahon, Alice
Galloway, George	Mandelson, Peter
Gapes, Mike	Marek, Dr John
Garrett, John	Marshall, David (Shettleston)
George, Bruce	Marshall, Jim (Leicester, S)
Gerrard, Neil	Martin, Michael J (Springburn)
Gilbert, Rt Hon Dr John	Martlew, Eric
Godman, Dr Norman A	Maxton, John
Godsiff, Roger	Meacher, Michael
Golding, Mrs Llin	Meale, Alan
Gordon, Mildred	Michael, Alun
Graham, Thomas	Michie, Bill (Sheffield Heeley)
Grant, Bernie (Tottenham)	Michie, Mrs Ray (Argyll & Bute)
Griffiths, Nigel (Edinburgh S)	Milburn, Alan
Griffiths, Win (Bridgend)	Miller, Andrew
Grocott, Bruce	Mitchell, Austin (Gt Grimsby)
Gunnell, John	Molyneaux, Rt Hon James
Hall, Mike	Moonie, Dr Lewis
Hanson, David	Morgan, Rhodri
Hardy, Peter	Morley, Elliot
Harman, Ms Harriet	Morris, Estelle (B'ham Yardley)
Harvey, Nick	Morris, Rt Hon John (Aberavon)
Hattersley, Rt Hon Roy	Mowlam, Marjorie
Heppell, John	Mudie, George
Hill, Keith (Streatham)	Mullin, Chris
Hinchliffe, David	Murphy, Paul
Hodge, Margaret	Oakes, Rt Hon Gordon
Hogg, Norman (Cumbernauld)	O'Brien, Mike (N W'kshire)
Home Robertson, John	O'Brien, William (Normanton)
Hood, Jimmy	O'Hara, Edward
Hoon, Geoffrey	Oler, Bill
Howarth, George (Knowsley North)	O'Neill, Martin
Howells, Dr. Kim (Pontypridd)	Orme, Rt Hon Stanley
Hoyle, Doug	Parry, Robert
Hughes, Kevin (Doncaster N)	Patchett, Terry
Hughes, Robert (Aberdeen N)	Pearson, Ian
Hughes, Roy (Newport E)	Pendry, Tom
Hutton, John	Pickthall, Colin
Illsley, Eric	Pike, Peter L
Ingram, Adam	Pope, Greg
Jackson, Glenda (H'stead)	Powell, Ray (Ogmore)
Jackson, Helen (Shef'ld, H)	Prentice, Gordon (Pendle)
Jamieson, David	Primarolo, Dawn
Janner, Greville	Purchase, Ken
Jones, Barry (Alyn and D'side)	Quin, Ms Joyce
Jones, Ieuan Wyn (Ynys Môn)	Randall, Stuart
Jones, Jon Owen (Cardiff C)	Raynsford, Nick
Jones, Lynne (B'ham S O)	Reid, Dr John
Jones, Martyn (Clwyd, SW)	Rendel, David
Jones, Nigel (Cheltenham)	Robertson, George (Hamilton)
Jowell, Tessa	Robinson, Geoffrey (Co'try NW)
Kaufman, Rt Hon Gerald	Roche, Mrs Barbara
Kennedy, Charles (Ross, C&S)	Rooker, Jeff
Kennedy, Jane (Lpool Brdgn)	Ross, Ernie (Dundee W)
Khabra, Piara S	Ross, William (E Londonderry)

Kirkwood, Archy	Rowlands, Ted
Lestor, Joan (Eccles)	Ruddock, Joan
Lewis, Terry	Sedgemore, Brian
Liddell, Mrs Helen	Sheerman, Barry
Livingstone, Ken	Sheldon, Rt Hon Robert
Lloyd, Tony (Stratford)	Shore, Rt Hon Peter
Llwyd, Elfyn	Short, Clare
Simpson, Alan	Turner, Dennis
Skinner, Dennis	Tyler, Paul
Smith, Andrew (Oxford E)	Vaz, Keith
Smith, Llew (Blaenau Gwent)	Walker, Rt Hon Sir Harold
Smyth, The Reverend Martin	Wallace, James
Snape, Peter	Walley, Joan
Soley, Clive	Wardell, Gareth (Gower)
Spearing, Nigel	Watson, Mike
Spellar, John	Wicks, Malcolm
Squire, Rachel (Dunfermline W)	Wigley, Dafydd
Steinberg, Gerry	Williams, Rt Hon Alan (Sw'n W)
Stevenson, George	Williams, Alan W (Carmarthen)
Strang, Dr. Gavin	Wilson, Brian
Straw, Jack	Winnick, David
Sutcliffe, Gerry	Wise, Audrey
Taylor, Mrs Ann (Dewsbury)	Wray, Jimmy
Thompson, Jack (Wansbeck)	Wright, Dr Tony
Timms, Stephen	Young, David (Bolton SE)
Tipping, Paddy	Tellers for the Noes:
Touhig, Don	Mr. Joe Benton and
Trimble, David	Mr. Robert Ainsworth.

Question accordingly agreed to.

Bill read a Second time, and committed to a Standing Committee pursuant to Standing Order No. 61 (Committal of Bills).