



Oral evidence: [Appointment of Rt Hon Lord Hill of Oareford to the European Commission](#), HC 791

Monday 3 November 2014

Ordered by the House of Commons to be published on 3 November 2014

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Members present: Sir Richard Ottaway (Chair); Mr John Baron; Mike Gapes; Sandra Osborne; Andrew Rosindell; Mr Frank Roy; Nadhim Zahawi

Questions 1-34

Witness: **Rt Hon Lord Hill of Oareford**, gave evidence.

Q1 Chair: I welcome members of the public to this one-off session of the Foreign Affairs Committee, which follows the appointment of Lord Hill to the European Commission, following his nomination by the Prime Minister in July. I warmly welcome you, Lord Hill.

Lord Hill: Thank you.

Chair: Though this Parliament only has five months to go, I hope that this will not be the last time that we have a chance to talk to you.

When the Prime Minister rang you up or invited you to accept this appointment, were you surprised? Many media commentators seemed to be.

Lord Hill: First of all, in terms of the approach and so on, it is certainly the case that there had been quite a lot of speculation beforehand that I might be offered the job, which speculation I did my best, unsuccessfully, to squash. I was quoted as saying, “Non, non, non,” as to whether I would do this job, which I did, because when you are presented with a question like that—you will all have had this at different times in your careers—you can either say yes and fuel all sorts of speculation and cause offence, in this case to the House of Lords and the Prime Minister, or you can say no. I chose that route, which is the route that I would choose again.

In terms of whether I was surprised to be asked, it was not something that I had ever sought. This has not been a question of personal ambition, but when I was asked it seemed a hugely important job at a vital moment in the history of our country and its relations with the EU. In those circumstances, I am also a slightly old-fashioned person, which sometimes causes merriment, but if the Prime Minister of your country asks you to do a job, you have to have a pretty good reason to say no. I thought that it was something that I might be able to make a contribution to and I was delighted to say yes.

Q2 Chair: You were in No. 10 from 1991 to 1994, first of all in the policy unit and then as political secretary to Sir John Major. You were not scarred for life during that period, were you?

Lord Hill: Of course I was scarred for life, but, scars notwithstanding, it was extremely important.

Q3 Chair: Is there anything in your background suggesting a deep involvement with the European idea or ideal?

Lord Hill: No, if I am honest, my approach in this job is of the head rather than heart. So far as the head is concerned, I start from the clear position that I think it is overwhelmingly in Britain's interests to remain part of a reformed EU. If I had not thought that, it would have been dishonourable to take the job and I would not have done it. That is my starting point, but I have not had lifelong involvement in matters European. It is also the case that from the end of '94 until 2010 I was not working in any way in politics at all. I was happily in the private sector setting up and running my own business.

Q4 Chair: I am sure that you are familiar with the words of article 245 of the treaty, which states that member states shall respect commissioners' "independence and shall not seek to influence them in the performance of their tasks." You will none the less be seen as the UK's commissioner here. What qualities do you have to show to earn your fellow commissioners' respect and recognition of the many arguments that the UK has been putting forward?

Lord Hill: I think it's no different from any other commissioner. Apart from anything else, there is a legal obligation, but you have to demonstrate that you will act in the common interest of all 28. Obviously, as part of the hearing process I went through with the European Parliament, there were quite a lot of questions to do with this issue of independence. There was particular sensitivity given the portfolio that I have ended up being given. People were keen to be reassured that I would act in the common interest, particularly as I come from a country that is a "euro-out" and have responsibility for the banking union, which is of direct concern to all the "euro-ins". I can assert my intention to act independently until I am blue in the face. The honest answer is that you demonstrate that by how you behave. As I have tried to do in every job that I have ever done, my approach will be to follow the logic of an argument and to look at the evidence and to make what I think are the best judgments that I can make in those circumstances.

Chair: I suspect colleagues will probe you a bit more on that in a minute.

Q5 Mr Roy: Lord Hill, I would probably find it an awful lot easier to decline a job offer from the Prime Minister than you would.

When you were asked about the job, were you given any type of assurances, for example, that you would receive assistance from the FCO during your time as a Commissioner, and can you tell us whether you intend to have a London or UK office—in fact, more than just a London office; a Cardiff, Belfast or Edinburgh office? Can you also tell us whether you expect to receive staff support from the FCO?

Lord Hill: Okay, in order; first of all, when I was offered the job, we did not have that degree of a specific conversation about what guarantees of what support I would get or not. The truth is that when I said yes, I did not know how the nomination process would play out. I did not know what the portfolio would be, and I therefore said yes because I thought it was the right thing to do, rather than because I had any particular guarantees of any sort.

In terms of the support that I have received insofar as the future is concerned, I think that going forward, my plan would be to follow the normal practice, which is to use the Commission offices in Smith Square, where there is some secretarial and other support available. Any Commissioner coming into London is able to use that. I would expect to do that. I would expect to be here in the UK a lot, coming back to the Chairman's point. In terms of this and other Committees, I have an important responsibility to talk to both Houses of this Parliament to keep channels open.

Q6 Mr Roy: Just to clarify, have you been offered any support—either staff or whatever—from the FCO, and would you expect that support?

Lord Hill: Going forward, I would not expect any direct support, because now I have my cabinet and the support of my services—the particular DG for which I am Commissioner—who will do the heavy lifting. When I come here, the practical support would come from the Commission.

It is the case that after I was nominated, I received some support from the Foreign Office. They stuck me up in the attic over in the Foreign Office for a while and gave me some helpful secretarial and other support. That was the point at which I was nominated, but before I had a specific portfolio, and during that period, I got help from the FCO here and from UKRep, who are part of the FCO.

Q7 Mr Roy: So from now on, you will not be seeking or expecting FCO support in any terms, in relation to staff?

Lord Hill: Not in terms of running my life, running the office and all the rest of it, no. The support will come from my cabinet, from the Commission, and from my services. It will clearly be the case that at times, I will talk to the British Government on portfolio issues or explaining things off portfolio, but in terms of practical support, if that is what you mean, then no—that will come from my cabinet, the services and the Commission.

Q8 Mr Roy: What about the other integral parts of the United Kingdom—Cardiff, Belfast and Edinburgh? Do you expect to spend time there?

Lord Hill: Again, this is my first day, so I have not yet worked up and completely developed plans as to what I need to do going forward for all parts of the United Kingdom, but I completely take the thrust of your remarks—that I should be able and available to talk to people from all parts of the UK.

Q9 Mr Roy: When do you expect, therefore, to make a visit to those other capital cities?

Lord Hill: I cannot give you a sensible answer yet, but it is obviously something that I would expect to do. They would also be very welcome if they are in Brussels or Strasbourg on business, which I know they often are, to come to see me there.

Q10 Nadhim Zahawi: Welcome, Lord Hill. Mr Juncker has redrawn the structure of the Commission. How do you think that that will affect your work?

Lord Hill: I hope that it will make it better, because it is an attempt to provide more co-ordination and more of a grip. I think that that is a desirable goal. I think it has come about to address the perception in the past that if you have 28 commissioners working in their individual silos, you can have turf battles at the edges of those, and you do not get integration. You do not get people thinking, “I am part of trying to deliver political priorities.” President Juncker wants to have a political approach to this Commission, which I think is quite a good thing, and there is a greater number of people with a political background in the Commission as commissioners. If I take the area where I will be spending quite a lot of time working, of trying to encourage jobs and growth, bringing together the commissioners with the vice-presidents in one cross-cutting team is excellent.

I would also point out one of his appointments that I think might be welcome: that of Frans Timmermans as the senior vice-president, who has got a particular role in looking at regulation, subsidiarity and relations with national Parliaments. I see that—again, all of this will become clearer over time—as earnest of intent. I know that Mr Timmermans has done quite a lot of thinking in the past about powers of Parliament, ideas to do with red cards and the rest of it. That will be an interesting area to see whether we are able to make progress.

Q11 Nadhim Zahawi: That is all clearly very positive, but the counter-argument runs that Mr Timmermans, being President Juncker’s right-hand man, will make it much harder and concentrate power much more in the hands of the President, so a young junior commissioner with some radical ideas would find themselves blocked. It is one of those structures that could end up with frustration.

Lord Hill: Whichever way around you look at it, nearly all structures can end up delivering potential frustrations. I think that the key, normally, in these circumstances is the personal relationships that you develop and the support that you are able to win for your ideas. I understand your point, and I think one has to work at it. You cannot take it as a given. But I personally think that having—I am not quite sure what the right word is—a filter, a check on commissioners coming forward with proposals for legislation, is a good check to have, because all political systems tend to encourage practitioners to come up with legislative proposals, if only partly as self-validation. I think that having some sort of filter on that is good.

Q12 Nadhim Zahawi: You mentioned personal relationships. On a scale of 0 to 10, where 0 means that the relationship has broken down and 10 means that it is superb, where do you see yourself in terms of that personal relationship with Mr Timmermans and with President Juncker?

Lord Hill: I think it would presumptuous of me—it sounds like some sort of dating and scoring website—

Nadhim Zahawi: Oh, go on.

Lord Hill: I think I had better not. I would certainly say that Mr Juncker has been extremely supportive and open with me. I think the fact that I have got this particular

portfolio, which is not one that everyone might have predicted a Brit getting, is a sign of a willingness and an intention to work together. So far as Mr Timmermans is concerned, I am sure that there will be many of my fellow Commissioners trying to take him out for dinner, but I have got ahead of them.

Q13 Nadhim Zahawi: Excellent. So high 8s or 9s?

Lord Hill: I'm not going to put a number on it.

Q14 Mr Baron: Lord Hill, welcome. Congratulations on your appointment. It is a very important appointment for the country, so we wish you the very best. May I raise the issue of the challenges facing the Commission? When Mr Juncker addressed the European Parliament on 22 October, which was only last month, he said that there was a major job to be done. He said that there has been a loss of face in the EU and that the Commission, if not the EU itself, is in the last-chance saloon in trying to win back—

Lord Hill: He did use that phrase.

Mr Baron: Those sorts of phrases are quite strong.

Lord Hill: Yes.

Q15 Mr Baron: He then talked about the need, for example, to reduce unemployment dramatically if we are to reconnect the EU with people generally. Do you see that as the major challenge facing the Commission? It is not just about the reconnection, but how you go about it. What would you see as the Commission's priorities in this area?

Lord Hill: That is a good question. First, I will draw a distinction in parentheses, and then I will come back to your question. On whether it is the Commission's role to create jobs, I do not believe that that is directly the Commission's role, because businesses create jobs. However, if I take my area, to try to have a set of regulations in place that can allow us to have a sustainable financial services industry that can invest, and so help generate growth and jobs, is an extremely important part of job.

On your main question, I see the two challenges as being pretty much what you have set out. They are linked in that there is a huge competitiveness challenge. When one looks at the rest of the world, and when one looks at the EU and future projections, there is a huge competitiveness challenge, which in practical terms translates to a lack of jobs and growth. There is also what one might call the democratic challenge: the fraying of trust, if that is the right word, among citizens in the institutions. If you look at the last elections, turnout fell in 18 out of 28 member states. I think the two challenges come together. Not being able to address the first leads to obvious consequences for the second. In my area, I hope that I can play a part by trying to put the wiring in place that will help us make the economy grow more quickly.

Q16 Mr Baron: You raised the issue of regulation, which is terribly important, because it could be argued that the EU is in the economic slow lane when you look around the world at growth rates. We need faster growth, and I think everyone would accept that. Regulation is

seen as one of the problems. It is seen as too burdensome and it is growing, particularly in financial services. We all know that the compliance departments in the various fund management houses in London and across the UK are the growth sector to be in.

At this point, I have been encouraged to declare an interest. I am using these as an example, but I have a particular interest in investment trusts. I have written the “*Financial Times Guide to Investment Trusts*”, and I write a monthly column for the *Investors Chronicle*. I do not take a fee; the fees go to charity. So I have declared the interest, but take investment trusts. Because they do not exist on the continent—obviously they do exist here and they are a brilliant investment vehicle—there is a real danger that regulation will stifle them and the consumer and the investor will pay at the end of the day, because they will not have the access to them that they would otherwise have. That is one small example, but a relevant example, of the type of regulation that can stifle enterprise and, at the end of the day, job creation. What can we do about that? What are you going to be able to do about that?

Lord Hill: Well, perhaps I could start by setting out my initial impressions and instincts. My first observation about your core point is that it is clearly the case that, in response to a huge financial and banking crisis that triggered a set of other interconnected problems across Europe, including the UK, urgent action was needed to address some gaps in regulation and to try to make the banking system, in the first instance, more secure. I think it was right to do that. My observation would be that when you are acting under pressure, and when you are enacting such a volume of legislation—there were 40 main legislative Acts, and there is the best part of 400 implementing Acts still to follow—common sense says that it is extremely unlikely that you will have the regulatory balance absolutely right in all those instances. I therefore think it is sensible to take a step back and look at the effect. I also think it is sensible to look at the cumulative effect of regulation. As I am sure you know, a lot of legislation in Europe goes along issues, buckets and certain tram lines, and it makes sense to see what the effect is across the whole waterfront. Looking at the cumulative effect of regulation would be a sensible thing to do.

You asked what my approach would be, and it comes back to the first part of your question. If the biggest challenge is jobs and growth, the filter or prism through which I should look at regulation is the filter of jobs and growth. There is clearly a linkage between regulation and getting investment flowing in that, if you get the regulatory balance wrong, you are going to make it less likely that people have the capital to invest or will want to invest. You have to approach it from that point of view. That does not mean that I am sitting here thinking that I am going to have a great big regulatory bonfire, and there may still be other areas where action is going to be necessary, but I think we should look at regulation from the point of view of jobs and growth.

Sorry if my answer is too long, but I have one final point. As an example, to encourage higher-quality securitisation there were recent changes to calibrate some regulations to make it more attractive for people to put money into higher-quality securitisation. In terms of the way in which legislation is implemented, there are opportunities to make sure that we get the balance as right as we can get it.

Q17 Mr Baron: Can I push back on you a little bit, Lord Hill? I don’t know whether you are echoing this view, but I can certainly pick up certain resonances about the line from Brussels being that the crisis is the fault of the financial sector, whereas in reality it was because Governments borrowed too much—that was the cause. The corporate sector is healthy; it was

the Government debt that stacked up. Many people would find it hard to swallow the view that you just blame the financial centres because it is all their fault and it is a right-wing, capitalist, Anglo-Saxon conspiracy. I mention that to you because the EU has within its boundaries some real jewels in its crown when it comes to financial centres—London being the foremost. The real worry would be if we go down the regulation route that we are going down at the moment. The EU needs all the help it can get to foster growth and job creation, which ultimately help to link the people back to the Commission and the EU. What are we going to do to try to reduce the extent of regulation on the financial sector? You are responsible—that is your job, at the end of the day—and that is where we can really add value, yet there is precious little sign so far that the message has been picked up that we need to reduce the extent of regulation on financial services. Yes, we need to protect, but at the same time we must allow businesses to thrive for the benefit of investors, which are growing in number. There is no sign of that yet coming out of the EU; there is no indication that the penny has dropped. How are you going to change that?

Lord Hill: I want to make a couple of observations. I do not subscribe to the view of capitalist plots, as it were. It is important to draw a distinction between the regulation that is coming out of international bodies, whether the G20, FSB or Basel, and the regulation that is coming out of the Commission and the EU. There is sometimes a tendency for people to shorthand it all as being, “It’s the bloody Commission—it is coming out of the EU”, whereas quite often, a lot of what is happening is that the Commission and the EU generally are implementing measures that are agreed at a global level to deliver greater financial stability.

I agree with you about trying to find the balance between safety and risk on every issue. You can have the stability of the graveyard, if you want, but I take your point that we should not want the stability of the graveyard, because the biggest challenge is jobs and growth. There will always have to be judgments, and people do not always get them right—I am sure that I will be guilty of that as well when the time comes. The answer to your question about whether there is any sign of it is that I am about 12 hours in, and the sign I would say to you is the point I made before: we have to look at the regulatory balance carefully.

Q18 Mr Baron: Very briefly, one example where it is not correct that a lot of it is up to global institutions is the issue of investment trusts, which I raised and which is a specifically British structure. Because the EU does not understand it, it has decided that it is going to throw the book at it from a regulation point of view. They are equities, not funds, but they are going down the funds point of view regarding regulation. Will you at least have a look at that as an example of where there is no global regulation? It is purely the Commission and the EU.

Lord Hill: I would be very happy to talk after this sitting, or you could write to me. It depends where it falls, but that example may or may not be in my portfolio. Nevertheless, I would be delighted to hear about it. That is part of what my job is, I think: to act as a channel.

Q19 Mike Gapes: I want to begin by congratulating you on your appointment. I also want to ask about how the Commission is going to work. Your predecessor, Cathy Ashton, was a Vice-President and had a senior role within a structure whereby, in effect, Commissioner Füle worked to her, in many ways. You are not a Vice-President—do you think that there has been a downgrading of the UK role in the Commission?

Lord Hill: No, I don't. A key issue of the moment, and of the months and years ahead, is to have a commissioner from the UK who is going to be able to be part of the discussions and conversations that go on generally in the college about issues off portfolio. Having a job that enables me to do that is extremely important. Lady Ashton's job, which she discharged with great distinction, meant that, by definition, she had to spend an awful lot of time travelling around the world and was therefore not in Brussels. Having someone who is able to be there is going to be extremely important. It relates to the earlier part of our conversation about the role of the new Vice-Presidents. They have a co-ordinating role in helping us bring things together, but it is not the case that they have a role in, as it were, downgrading us or, in our areas of responsibility or, in my directorate, stepping in and overruling my judgments in my DG.

Q20 Mike Gapes: The Commission and all the European Union institutions in total have only 33,000 employees, which is far fewer than individual Government Departments have, such as HMRC in this country. It is not a large number. Nevertheless, our Committee has pointed out in a previous report that there is a very low and worryingly declining number of UK nationals within Commission institutions and that there is a danger that we will lose out at senior level within the structures. Is there anything that you can do, as the British Commissioner, to change that?

Lord Hill: I would certainly want to do whatever I can to help address that challenge. I am aware of the point that you make. I have looked at the figures and, given that British fonctionnaires have a very high reputation—deservedly so, from all the ones whom I have met—it is very much in our interests to ensure that the numbers pick up again. My understanding—you will correct me if I am wrong—is that the European fast stream has recently been reopened and that might help. There are a whole number of interconnected issues, such as languages in schools, where perhaps some of the steps taken to encourage a take-up of modern languages might help over time, but it is a long lead time. I will certainly do my bit, and I have already started to try to be a—I am not quite sure what the right word is—not a focal point and not quite a cheerleader either—

Mike Gapes: Advocate?

Lord Hill: Advocate, yes, but meeting people and being supportive of and—

Mr Baron: Friendly.

Lord Hill: Friendly, thank you, with each other. I see that as an important part of my job. If the Committee has particular suggestions that it thinks I can help—

Q21 Mike Gapes: Perhaps we should send you our report, which we published about 18 months ago. We made some suggestions in that report.

Lord Hill: Well then, I would like to see that. I read the report that you did into the UK-EU relations in 2013—

Mike Gapes: We will come on to that. This is a separate report about, for example, France having about double the number we do. We have about 12.5% of the EU population, but only 4%, or just over, of the staff working in the institutions, which is a major concern.

Lord Hill: I would be interested to see that report.

Q22 Mike Gapes: May I ask you about an issue that is topical, in the sense of the reported remarks of Chancellor Merkel? Given that you are a UK Commissioner, you will face challenges when the British Government are apparently about to launch some initiative to restrict or reduce the free movement of European Union citizens, as well as the challenge of the extraordinary, unexpected increase in the financial contribution that has just been requested. So you therefore have a view that we are in danger of entering a period of profound conflict with the other European Union countries?

Lord Hill: No, I do not, and that is not how it has struck me so far. Again, early headlines impressions: first, that there is strong, widespread—I would say almost universal—support for Britain to remain part of the EU among our European friends and partners.

I think, secondly, that there can be a tendency, both in Britain and elsewhere in Europe, to think and talk in terms of British exceptionalism—I think we slip into it a bit here, in some of our rhetoric, sometimes—that I think does not always help. And everything always has to be a victory or a defeat.

Q23 Mike Gapes: You are talking about when John Major came back from Maastricht, and “Game, set and match”?

Lord Hill: That is a very good example, because that was a phrase he never uttered.

Q24 Mike Gapes: He may not have done, but somebody else might have done on his behalf.

Lord Hill: I do not know. It certainly was not me. The relationship between our island history and our politics and our media plays into a certain pre-ordained script. The point about British exceptionalism is that it is something we do, and it is something that others slip into, but actually, of course, it is not the truth at all, in that the whole time different member states are arguing for their own interests just as vigorously as Britain might do. I think we collectively—by which I mean my new colleagues in the EU—need to avoid slipping into that danger, because I do not think it is very healthy. I think it drives us apart, and I think we should be looking for ways to bring us together.

Q25 Mike Gapes: You said you had read the Select Committee’s report on the future of the European Union, which was published in May last year. One of our conclusions—a very important conclusion, and it was a unanimously agreed report of this Committee—was that “we reiterate the importance of the Government’s tone, language and overall approach in retaining influence in the EU. We recommend that the Government should frame its approach and its language in pan-EU rather than UK only terms; and should remain constructive, positive and engaged.” Do you agree with that?

Lord Hill: No, no, that is the sense of what I was saying, but I think I would say that if you look—and again, this slightly comes back to the prism through which we tend to look at things—there were lots of stories, obviously, at the last European Council, of rows but meanwhile we had practical progress, which Britain had argued for. For instance, on taking more steps to tackle Ebola, or on energy, we are all agreed.

One must not make the mistake, which I know you would not, of thinking that the reality in Europe is a reality of conflict, where Britain does not achieve common European goals. Often it is the case—again, this would be another impression that I have—that there are areas where we do not get enough credit for the work that Britain is doing in setting the agenda in a common way. Take Ukraine, where I think Britain actually helped the whole EU achieve something that individual member states would not have achieved on their own.

Q26 Mike Gapes: So we are more effective if we pursue a pan-European Union approach rather than arguing for British exceptionalism?

Lord Hill: I think, again, it is not really my task any more to argue for how Britain should set about negotiating things. Like every member state, though, I would just observe that there are times when—we can all think of them—other member states other than the UK argue just as vociferously for their national interest as we do. So I think it is horses for courses; but I agree—which, again, I think was one of the conclusions in your excellent report—the importance of building alliances, of working with people, of building them up over time. I make one particular observation about the importance for the British Government and others doing that with the European Parliament.

Q27 Sandra Osborne: Do you agree that there is a lack of trust and confidence, both in financial institutions today, notwithstanding what Mr Baron said, and also the EU itself? If you had come to my constituency during the European elections, you would not have seen many people at the polls. Do you agree that that is the case? What can be done in your portfolio? You will have quite a difficult task of communication. How do you intend to address that?

Lord Hill: I do agree that it is a challenge. It goes back to the point that I was making earlier about the democratic challenge and lower trust in the institutions. I would not say all relationships between the institutions and member states are typified by high levels of trust at the moment, partly as a consequence of the financial crisis. How do we build trust within my portfolio? Part of it is about regulating properly, so that people can have confidence that the system is well regulated. I also think financial service companies need to do a better job of explaining to their customers and the public at large what role they play in helping fund the economy and therefore in creating jobs. For a variety of reasons, they have been quite introspective and defensive, and a lot of what they do seems to be very technical and complex. Something that is overly complex and technical is an obstacle to good understanding and trust. They have a responsibility to re-engage with society to explain the positive role that they play in funding the economy and making it possible for businesses to borrow, for people to have pensions and for people's property to be protected through insurance.

Q28 Sandra Osborne: Do you think that the European Union-based and variable geometry—some member states are in the eurozone and some are not; some are in the Schengen zone and some are not—is a sustainable way forward for the future, or do you think it points to a more flexible European Union in future?

Lord Hill: I think it is already a lot more flexible than was the case in the past. I remember, to go back to where Sir Richard painfully reminded me of Maastricht, that

variable geometry was one of the phrases deployed then as an alternative vision. I think that people thought it wasn't very likely, but it seems to me that in the intervening quarter-century, we have moved quite a long way down that track. I think that is sustainable. As the Union grows and different people come together in slightly different combinations, I think it can work perfectly well, but to come back to your previous question, for that to work, you need to have trust. One of my jobs, with my portfolio, will be to help build trust between the "euro-ins" and the "euro-outs", but I think that is achievable.

Q29 Sandra Osborne: Within your key economic portfolio, what steps will you be taking to ensure that those outside the eurozone are not excluded from decision making and do not become a second-tier group of countries?

Lord Hill: A lot of it goes back to your earlier question about trust. It is to do with how people behave. As you all know, within the banking union, specific measures were put in place, with double majority voting, to reassure the "eurozone-outs" in their fear of caucusing against them. Generally, I think one must act in a way that does not give rise to those concerns. As it happens, in my area, although I am absolutely going to act in the common interest, the fact that I come from a "eurozone-out" country might make the other 10 current "eurozone-outs" feel that that is the way in which I will approach it.

Q30 Andrew Rosindell: I add my congratulations, Lord Hill, on your appointment. The new Commissioner, Mr Juncker, has said that he wants all Commissioners to commit to a new partnership with national Parliaments and he says "They deserve particular attention." It was rather good of him, I thought, to say that. How do you see that being carried out in practical terms as a Commissioner?

Lord Hill: I suspect that, at this point, all I can answer is how I will go about it. In the last four days, I have seen three Select Committees of the two Houses, and I would see that as an earnest of intent, really. And I think all Commissioners ought to do that. There has to be some cognisance taken of the fact that if every Commissioner were to go to the 28 member states and go to every Chamber in those countries where there is a bicameral system, there wouldn't be a huge amount of time to do a lot of other things that one has to do. So I think one has to be practical about it. I hope that Mr Juncker will make sure that all my fellow Commissioners take that obligation seriously and discharge it, because I think it is part of our job. On a more substantive point, I also think that the role that Mr Timmermans has been given to think, in particular, about relationships with national Parliaments and ways in which their views can be taken into account is another potential area for progress to be made.

Q31 Andrew Rosindell: Lord Hill, you mentioned being painfully reminded about the Maastricht treaty a quarter of a century ago. We all remember what took place during that period. Do you feel that, 25 years on, we are building a Europe of nations or a nation of Europe? And if you feel it is going in the wrong direction, how will you as a Commissioner work to try to change it? And if you cannot change it, and if it continues to go in a direction that is not in the interests of the UK, are we stuck with it, or is there an opportunity in your view—should there be an opportunity—for us to break away and go in a different direction?

Lord Hill: Going back 25 years, I think my first point would be that there is a big difference, obviously through enlargement, which has—both in terms of the scope and the

geography, and the nature of the Union—had a profound change. I would also say that the phrase—which I don't have immediately to hand, stupidly—in the June conclusions of the European Council, which was talking about ever-closer union—I am paraphrasing, but it basically said that it was possible that some would want to take it further, but for others the degree of integration that currently exists is quite far enough, thank you very much, which is a demotic way of putting it, but I think it is an accurate summary of what it said. I don't think you would have had that statement 25 years ago, so I think there have been quite significant changes.

In terms of areas where one might like to see more, one of the principles established in Maastricht, you will remember, was the principle of subsidiarity, and one would certainly argue that progress with that has been patchy. But again, that is an area where, with this Commission and Mr Timmermans, I hope we might be able to make more progress. So, the dynamic has changed. There is clearly work that needs to be done in terms of the single market, which we have been seeking to complete for a long time, and in services—digital services would be a good example. In my own area, the capital markets union must be a project for the 28. And we must preserve the integrity of the single market. There is an opportunity to address a lot of those issues. I come back to the point I think Mr Baron made, unless I have misremembered, about the phrase Mr Juncker used about the last-chance saloon. Everyone realises the stakes are high, but I hope that we can harness the sense of crisis in the past that there was to address some of these questions.

Q32 Andrew Rosindell: Just to be clear, we hope there will be a renegotiation. If the Prime Minister is re-elected, he will start a renegotiation with the European Union. You have stated that your preference is that we should stay in the European Union. If the Prime Minister doesn't get what he wants—if he comes back with nothing very much or he comes back with just a few extra things but doesn't fundamentally address the concerns the British people have about the EU—do you see any situation where you might say, “Actually, we should leave the European Union”? Is there any circumstance where you would see yourself saying, “Actually, we can't get the type of Europe we want. Therefore, leaving now has to be an option for the British people”?

Lord Hill: I think, first off, in terms of tempting me down the route of speculating on what the British Government's set of reform proposals might or might not be, what I would think about them, what I would require and all the rest of it, it would be unwise of me to join you in the speculation. There are so many hypotheticals to do with general elections, requests and responses that I do not think it would be sensible of me to do so.

Q33 Andrew Rosindell: But would you agree that, if we are to get the best possible negotiation out of this, it has to be very clear that this is not a false option for Britain—that coming out and simply not being part of the political union, but perhaps just having a trading arrangement, is a serious option? Are you going to make it clear to your fellow Commissioners and to everyone else you work with in the EU that Britain is serious about this and that it could very well come out of the political union if David Cameron does not achieve the serious, fundamental renegotiation we all hope he is trying to achieve?

Lord Hill: I think, clearly, part of my job—off portfolio—is to act as a translator, transmission belt and interpreter to explain to the rest of my colleagues in the EU what the

political realities are in the United Kingdom, and the other way round. That is one of the roles that Commissioners ought to play. If some of those circumstances that you posit come about, it will be absolutely clear what British public or political opinion is at that time, and people will be able to see that for themselves. Everyone understands that Britain is a sovereign nation, and Britain is a big country that is capable of making its own decisions and making its own way in the world. I think people will also think, as I believe, that the alternatives outside the EU, in terms of single market trade and geopolitical influence, are not as compelling or as attractive as the option of remaining within a reformed EU.

Q34 Chair: On your unexpected role as a transmission belt, will you be feeding in ideas about how the EU's budget can be kept under control and spent more effectively?

Lord Hill: I think the whole question of how it can be spent effectively is extremely pertinent. We are all part of—every commissioner, I think, is expected to contribute to discussions about the size of the budget. There is an excellent new commissioner who is in charge of it who used to work at the World Bank, who I am sure will be beady-eyed. In my own DG, I will expect to do what I can to bear downward pressure on budgets. I take the view that I am sure you take, which is that European taxpayers, having been through a difficult time—as was the case in the UK and other member states, where they have had to have heavy cuts in public services and budgets—would expect every penny sent to be spent as wisely as possible.

Chair: Lord Hill, thank you very much indeed for coming along. That completes our questioning. I apologise that this is your first day in the job and we have delayed your arrival in Brussels, but we thought it important to have this exchange and we very much appreciate the time. We wish you all the best for the future and look forward to seeing you again soon.

Lord Hill: Thank you, and in the same spirit, I consider this a good way to start my commissionership. I am glad to be here and yes, of course, I want to keep in touch with the Committee. If members are coming out individually or collectively to Brussels or Strasbourg, please let me know. If you have particular ideas or requests, whether on the budget or investment trusts, I am always in the market for ideas and suggestions. So I hope we can.

Chair: Excellent. Thank you.