

What wasteful public expenditures would you like to see reduced?

One of the strange features of the much discussed age of austerity has been the barrage of demands for lower public spending that have gone unheeded by Ministers claiming they want to reduce public spending.

Foremost has been the £10 to £15 bn a year sent to the EU. A majority of the public voted to end this in 2016, only to find three years later some Ministers and MPs are insisting on still giving it away, with many wanting to lock us into more of the same for years to come.

Then there is the case of the world's dearest new railway, HS2. Many have made proposals for much cheaper and quicker ways of increasing north south train capacity. Many of us want more spent on northern commuter rail improvements into the main cities as a priority. This could be done much more quickly than HS2 and at a fraction of the total cost of the large project. Latest estimates of a total cost in excess of £70bn imply more than £5bn a year could be saved by cancellation, prior to allocating decent capital sums to faster introduction of digital signals and by pass sections of track on existing main lines to boost capacity, and similar improvements on commuter routes into the main northern cities.

There is the pledge to spend 0.7% of GDP on overseas aid. This Parliament is unlikely to want to cut that, but we should spend more wisely within that budget. The set up costs for the first year of a refugee or an economic migrant from a poor country are allowable expenses to qualify. Given the continuing large numbers entering the UK, we should allocate substantial sums to the housing budget from the overseas aid budget to cover more of the costs of provision of additional homes for new arrivals. There should also be larger transfers to the education budget to allow for the extra school places needed and the additional language skills to teach new pupils who have little or no English on arrival. This would increase those budgets whilst reducing total spending.

The new government should implement the agreed policy that any visitor to the UK needing non emergency treatment should have to pay the NHS. Visitors should be advised to come with health insurance or the cash. Migrant workers coming to the UK should not qualify for all the benefits for a specified period, as Mr Cameron wished to do but was unable to get EU agreement.

Environmental matters

At my surgery on Friday I had an interesting conversation with people

concerned about a range of environmental matters.

We discussed the government's targets for CO2 emissions, the state of the fossil fuel industry, the contribution of meat and agriculture to emissions, taxation of domestic heating fuel and aviation, family size, population growth and female education in low income countries, food miles and other important matters.

We found considerable common ground over energy conservation, helping countries out of poverty, more local produce, more holidays in the UK, better balanced diets and the role technology can play in improving our quality of life and protecting the environment. As readers of the blog will know I am keen to promote more tree planting, to have more home produced food, to make it cheaper and easier to insulate homes, improve heating and control systems and reduce energy usage through greater energy efficiency.

I did not feel able to support ideas to make domestic fuel dearer by higher taxes given the impact this would have on fuel poverty nor to unilaterally make UK air flights dearer when we cannot do the same to competitors.

Power outages

I am glad there will be an urgent review of what went wrong with the power system.

It appears from the records that there was a 740 MW drop in gas generated power supply (Little Barford) and a 1000 MW fall in wind supply (Hornsea) in quick succession. This was followed five minutes later by a 1000 MW increase in pumped storage supply, presumably the quickest acting power that could be brought on. This all took place against the background of relatively low summer demand for electric power which meant there was plenty of potential capacity available. It is also interesting that though we are using well below domestic capacity levels of electricity we are tending to import power from France, Belgium and the Netherlands anyway.

Questions for the review should include

1. Now the system is running on high percentages of renewables when the weather permits, does it have enough quick acting stand by plant for when the wind drops or sun goes in? If not can we rapidly remedy this defect?
2. Why do we continue to import when we are well below capacity? What account is taken of the different fuel mixes and subsidy patterns for continental power which includes fossil fuel power in its mix?
3. Given the use of pump storage, how long did the outages last and why did they last as long as they did?
4. Why did the wind power fail, given the current size and the planned

large expansion of this new plant?

The government also needs to ask the railway industry why it was unable to quickly adjust services and get trains running as soon as the power was restored.

An early election?

Labour is currently on a little over 20% in the opinion polls. Were there to be an early election the party would have no clear answer to the question would you take us out of the EU. In Parliament Labour voted to send in our Article 50 notice letter. It then opposed the EU's Withdrawal Treaty and now opposes the alternative of leaving without signing that Treaty. Why on earth would they want an election in such circumstances? So far they have been unable to clarify how they would negotiate a better Brexit, what it would look like and why the EU would consent. It leaves them refusing to accept departure with the WA or without it, and refusing to admit they want to revoke Article 50 altogether.

Any election before the UK has left the EU would push many Remain supporting former Labour voters to vote Green or Lib Dem as they offer a second referendum and oppose Brexit. Leave voting former Labour voters would be tempted to vote for the Brexit party or the Conservatives to get the Brexit they voted for in the referendum which Labour promised to support in the last General election. As in the recent European election Labour would be likely to be badly squeezed. The Conservatives are recovering in the polls now the new PM says we will definitely leave on 31 October, after the crash under Mrs May with her disastrous delay.

Labour now complains that if they could get a majority in the Commons to defeat the government twice on a motion of no confidence within 14 days to trigger an election, Brexit would happen anyway during the election. Of course it would, as the law they helped pass to send our withdrawal letter ensures that we leave. The irony is Labour has much better prospects in an election once we have left and Brexit is behind us. The intense muddle of their current Brexit approach is losing them support from both sides of the argument, and driving people to a clear Remain party or a clear Leave party.

Were Labour to table and win a confidence vote in September they would need to do it twice to conform with the Fixed Term Parliament Act. It is difficult for them to do this in time for an election prior to the 31 October. The honest way to stop us leaving would be to propose that Parliament revokes Article 50, which we know the EU would accept. They will not do that as they know there is no majority in the Commons to reverse the Withdrawal legislation and to tear up the Manifesto promises of both Labour and Conservative from the 2017 election.

Weak manufacturing in UK second quarter led by big fall in car output

As forecast here, the car industry accelerated a sharp decline in manufacturing in the second quarter. The overall manufacturing fall of 2.3% in the second quarter compared to the first was led by a 20% decline in car output, which was part of a 5.2% decline in transport equipment generally. The squeeze on car sales from higher VED, tougher conditions on car loans and above all the regulatory uncertainty created over the future of diesels that I have highlighted have taken their toll. Various manufacturers compounded this by closing their factories for the annual shut down early this year in the second quarter, after building stocks in the first quarter. It is also part of a wider world pattern, with poor figures from China, Germany and other leading manufacturing nations.

Household spending continued to rise, up 0.5% quarter on quarter, and services managed a weak expansion. The economy as a whole grew by 1.2% over the last year, with a 0.2% quarter on quarter fall after a decent quarter to start 2019. Gross Domestic Capital formation was weak in the second quarter, as businesses sought to destock after their big stock build at the start of the year in preparation for the March Brexit which the government cancelled late.

The overall performance of the UK economy is good by EU standards, especially considering the combined fiscal and monetary squeeze which the outgoing government undertook. Germany's economy is growing at an annualised 0.7% , 0.5% lower than the UK's latest, and Italy is not growing at all after a recession in the second half of 2018. The UK economy can do better and needs some monetary and fiscal relaxation. Money growth is under one quarter of the rate in the USA and half the rate in the Euro area. The fiscal stance is now going to be loosened a bit, which is important. The US tax cuts drove accelerated growth there in contrast to the European performances. The US has been growing well over 2% with its more pro growth approach, with the President wanting growth above 3%.

The Fed, the ECB, the Indian, Australian, New Zealand, Turkish and Russian Central Banks are all loosening policy to offset the general global manufacturing downturn. The UK has not yet taken such action.

The global picture for manufacturing remains poor, with Germany experiencing a 1.5% fall in industrial output in June with more poor orders for the second half of the year.

(I have posted this post for tomorrow early given the topicality of the item)