

Trade is mainly about companies and individuals, not governments

The good news is governments need to promote and tolerate trade as well as unfortunately doing their best to harm it. Governments like to tax trade, with excise duties, VAT, other sales taxes and customs dues. This both harms it, but also gives them a rationale to want to promote more of it at the same time. They like to regulate it for a variety of good and bad reasons. They rightly want to stop people selling dangerous items that could be misused and want to supervise the safety of everything from planes to drugs, but they also often want to control the style, performance and method of manufacture of things where variety might not be harmful. The EU both poses as an advocate of more trade within its zone, and acts as an impediment to more trade outside the zone by imposing a barrage of controls and taxes on items coming in from non EU sources. The US objects to VAT on its sales into the EU, as well as to the higher tariffs like the ones on food products.

In the never ending UK Parliamentary debates on trade the advocates of us staying in or rejoining the EU customs union, or inventing a customs union with them similar to one we are leaving, never give up and never find any new and convincing arguments. Three times Parliament voted down staying in the customs union by a large majority. Last night Parliament voted it down yet again by a small majority. As someone who likes Parliamentary democracy and thinks things should be settled here by lively debates and votes, I am also allowed to ask how many more times do we have to make the same decision? I want this Parliament to tackle issues like housing, economic growth, real wages and the other things that matter to voters, but its ability to do so is constrained by so many MPs wanting to go over the same old topic day after day.

I am an MP who wants business to succeed and wants to see more prosperity and more better paid jobs in the UK. So why don't I want a customs union? Let me have one more go at replying to the tired old statements of the Remain campaign that we hear daily in Parliament on this subject.

1 Remain claims that industrial business operating Just in Time supply chains with imported components will not be able to work efficiently from outside the Customs Union!

a) Many businesses today in the UK operate Just in time systems with components coming in from the USA, Japan, China and other sources that are outside the EU. Some JIT systems operate well with seaborne deliveries from outside the EU. They know how to get their products through the docks in London or Southampton just fine. The products have been many days at sea and the short time taken at the port is minor compared with total travel time.

b) Both EU and non EU components come in under a system of Authorised Economic Operators. They file electronic manifests of the consignment, and the calculation of any VAT, customs dues, excise and other taxes occurs as

the goods transit. The lorry driver at the port does not have to wait whilst they work out the payments and pay them by cash or card in a queue of trucks. There has been a long standing system of TIR trucks, with sealed cargo sections that have permission to cross borders because the authorities know what is in them.

c) Both the EU and the UK are members of the WTO. Its Facilitation of Trade Agreement covers the main issues requiring member states to minimise friction at borders.

2. Remain claims that any non EU system of imports will be too expensive and administratively difficult, especially given rules of origin which require specified proportions of local content.

a) The current EU system also requires substantial electronic paperwork and complexity. The EU levies VAT which requires great detail about process and where value was added, with issues over transfer prices. It also needs to police rules of origin. Importing from outside the EU need not be more onerous, and once out of the UK we will design our own system which can be friendly to business.

b) The information the authorities need to police and tax is very similar to the information the company needs to supply to its customers and counter parties. If you are supplying a component for a complex machine like a plane or vehicle you need to send great detail about how and where the components was made, what the tests results were, and what its price is. Modern manufacturers require individual component traceability in case something goes wrong . It means the information the authorities need is already known to the company and in its computer, so a simple computer programme can extract and present the relevant information for transit papers.

The Customs and Trade bills

I welcome the fact that the government is pressing on with taking the necessary legal powers to run our own customs and trade policies. They tell us the bills will allow them to set tariffs, impose trade penalties and do what it takes to be a full voting member of the WTO. So far so good. I support that.

Buried in the detail of the legislation are some areas where I and others sought reassurance or amendment. The government has agreed to make improvements. The government should not have the power to put us back into a customs union or similar arrangement without needing primary legislation. Parliament has agreed to leave the EU Customs Union – voting decisively three times on this matter after extensive debate. Any wish to reverse this decision should also need substantial debate and a formal legislative process. I agree with Dominic Grieve's line on the need for primary

legislation in such circumstances, as he required us to do for the Article 50 letter and all aspects of leaving the EU in the Withdrawal Act.

We also want to see the UK outside the EU VAT system. On March 29 2019 VAT must become a UK tax which we can change as we see fit. The government agrees.

The government supports an amendment that rules out a customs or tax border between the island of Ireland and the UK. All parties to the negotiations tell us they do not want such a border, so we might as well make that clear in legislation. The amendment proposed makes clear Northern Ireland will be part of the same customs and tax arrangements as the rest of the UK. I have always thought the Irish border issue was much exaggerated by the EU for their own purposes. It already is a Vat, Excise and currency border, but these matters are settled away from the border itself. The UK government does not want to put in big barriers and seek to calculate customs or VAT at the border point, nor does it need to. What we have today can handle customs as well if that becomes necessary as it already does for non EU trade.

The government has also agreed to accept an amendment which says that the UK would not collect EU customs duties for the EU unless the EU collected UK customs for the UK.

Yesterday's debate was dominated by people who have never run complex supply chains who were unwilling to accept they work fine with non EU as well as with EU parts. We needed to explain all over again how TIR, Authorised Economic Operators, the WTO Facilitation Agreement, electronic manifests and calculations and checking loads away from the border currently operate to speed goods across borders. The electronic paperwork is detailed and sometime complicated, but it is also needed by the customer and required for product audit purposes. If you supply a part into the supply chain for a complex and safety crucial product like a plane or truck, you do need to supply the customer with very detailed information about where it came from, when and how it was made, and how it has been tested. Your computer can share the parts of this information that is needed with the Customs, Vat, Excise and other authorities electronically.

School Funding – reply from the Secretary of State

I have received the following reply from the Secretary of State for Education in response to my intervention on his speech on 25 April and my subsequent private meeting with him in June:

Dear John

Following our meeting, I wanted to respond in writing with further information on the areas we discussed.

You raised some questions about how the minimum per pupil funding levels operate. The national funding formula (NFF) will provide a minimum funding level of £3,500 per pupil for primary schools and £4,800 for secondary schools, by 2019-20. As we transition to these levels, the formula provides £3,300 for primary schools and £4,600 to secondary schools in 2018-19. Of the 45 schools in Wokingham, 10 will attract more funding through the minimum per pupil funding levels by 2019-20.

However, whilst the NFF provides minimum per pupil funding levels, local authorities continue to be responsible for distributing school funding through a formula set locally, in consultation with their Schools Forum, in 2018-19 and 2019-20. Wokingham Borough Council has not included a minimum per pupil funding level in its 2018-19 local formula, so some schools in the area may not receive this level of per pupil funding. The council has set a minimum funding guarantee (MFG) of 0.5%, so no school in the local authority will have received less than a 0.5% per pupil increase in 2018-19.

Many local councils have chosen to replicate the NFF locally, and we support and encourage this. However, we recognise that some authorities may wish to move to the NFF gradually over more than one year. There are also some circumstances where a more tailored local formula is more appropriate as we transition to the NFF – for instance, where local changes in characteristics mean that a greater proportion of pupils than anticipated have additional needs, and it is therefore not affordable to use the funding values in the NFF. We believe some local flexibility should be retained whilst we bring in this historic reform, and it is up to Wokingham council to set the local formula that they think works best for their area. Wokingham council have used this flexibility to increase the basic per pupil funding factors in their formula and the primary low prior attainment factor, instead of implementing the minimum per pupil funding levels. Wokingham were required to consult their schools on the formula they set for 2018-19 and will be required to do so again for 2019-20.

We are currently considering what the system should look like beyond 2019-20, and we will provide details on this in due course. With regards to the transitional protections within the formula, these are as much a core part of the formula as any other formula factor. This includes the funding floor, which prevents a reduction in the per pupil funding that schools attract through the NFF. You will understand that any spending plans beyond 2019-20 are subject to the next Spending Review, so I am not able to make commitments beyond that point.

We understand that it is difficult for schools to manage fluctuating pupil numbers. There are several ways that we help schools to cope with this:

- The lagged funding system gives schools certainty over their budgets, as they know in advance how many pupils they will be funded for. It also means that when pupil numbers fall, schools have time to respond before this starts to affect their budgets.

- The NFF provides a lump sum of £110,000 to every school. This is a contribution to the costs that do not vary with pupil numbers, and to give schools (especially small schools) certainty that they will attract a fixed amount each year in addition to their pupil-led funding.
- Local authorities are able to create a fund to support schools with temporary falling rolls, where they are judged good or outstanding by Ofsted. This funding can be used where local planning data show that the surplus places will be needed again within the next three financial years. We are considering improvements to falling rolls funding for 2019-20 and beyond.

You also asked more broadly about our approach to place planning and parental choices. Basic need funding is the money we give local authorities each year to help them fulfil their duty to make sure there are enough school places for children in their local area. This funding for school places is based on local authorities' own data on school capacity and pupil forecasts. Local authorities can use their basic need funding to work with any school in their area and have the flexibility to make the best decisions for their local area.

As a matter of good practice, all local authorities should maintain a small surplus of places locally so that they are to respond quickly to in-year applications. We fund local authorities to provide a least a 2 per cent operating margin of places, to help support parental choice, churn in the pupil population, and the general manageability of the system. We also expect local areas to avoid carrying excessive levels of surplus capacity. As part of fulfilling their duty to provide sufficient places, we expect local authorities to manage the local school estate efficiently and reduce or find alternative uses for high levels of surplus, in order to avoid detriment to schools' education offer or financial position.

When funding new free schools, we undertake a rigorous assessment of local factors to ensure that they provide choice, innovation and higher standards for parents. We take into account of existing capacity in the system, balancing the benefits of new places with the costs of surplus capacity and the impact on existing schools and local areas. Of the mainstream free schools approved since 2014, 86% have been in areas where there was a need for more school places.

We have recently launched the wave 13 application round, targeting areas with the lowest educational performance to put free schools in the places most in need of good new schools. In all cases, we will expect applications to show a demonstrable basic need for a high proportion of the additional school places that the free school will create.

Thank you again for raising these issues with me.

Yours ever

Damian Hinds
Secretary of State for Education

A 3 option referendum would not work

The latest call for a referendum between leave, the White Paper terms and Remain is a non starter. We made our decision in the original referendum and need to get on with implementing it.

The EU will not accept the government's opening bid in the White Paper so it is not a real option.

It is by no means clear we could get back into the EU on current terms once we have left in March 2019 were people and Parliament to change their minds. The EU would probably want us to sacrifice our veto on the Euro and Schengen, and lose the contributions rebate for starters. It would need to be negotiated, with uncertain outcome, so that too is not a fixed and available option.

There is no point in voting on two options the EU does not accept. The real referendum was about two straightforward options – stay in on current terms, or leave. The EU agreed to both under their Treaty. We voted to leave. We were told by Parliament and government voters were making the decision.

Getting the Russian relationship right

This week Mr Trump meets Mr Putin. I want the President to be realistic about Russian behaviour and how we need to respond. It would be good if relations improve rather than a further deterioration with threats on both sides, without compromising important principles. Mr Trump may well wish to announce new practical working approaches despite the differences.

The current UK government has been at the tough end of western attitudes towards Russia, in part owing to the poisonings in Salisbury. Of course killing people with nerve agents must be condemned strongly and my heart goes out to the families affected. Our relationship with Russia is, however, a complex one. The government and NATO work in close contact with the Russian authorities when acting militarily against Isis. That makes sense, but reminds us how there are few absolutes in relations between important countries. Germany, part of NATO, has made herself very dependent on Russian gas, as Mr Trump pointed out. Events and circumstances can change, and diplomacy needs to respond. A country has a range of interests. These can require agreements with countries that have very different values and behaviours and may need to reshape old alliances. We do have friendly working relations with a number of countries with whom we have profound disagreements

on human rights and government behaviours.

Russia is a dominant power in the Middle East. President Obama's decision to limit US force in the region and to stay out of much of the Syrian war has ensured growing Russian influence. President Trump has not changed this policy, though he has taken specific action over chemical weapons use. Given this development the USA, UK and other NATO allies co-operate closely with the Russian military where Russia does hold sway. and need to do so to avoid inadvertent clashes.

Russia upset the EU through its actions in Crimea. This led to sanctions and tough words. The western allies however are not going to try to prize Crimea apart from Russia by force, so at some stage there needs to be discussions about how to proceed despite this dispute. Russia would say the bulk of the people of Crimea want to be Russian, so under the doctrine of self determination it makes sense. The West says there was no internationally approved referendum to test opinion and make this decision. The EU needs to watch to see what if anything the President says on this matter, as we need to avoid a major split on the subject between the USA and the European NATO members.