

Illegal immigration and the Home Secretary

Tomorrow I read that the Home Secretary will provide another Statement to the Commons on migration matters. Parliament will only know for sure when the Speaker announces topical business at midday on Monday.

I assume she will reaffirm that no Minister wanted legally settled people who have been here a long time to be sent away, and will confirm that all actions are being taken to complete any outstanding paperwork quickly and helpfully in cases where proper documents have not been issued in past years. That is what we want and expect, as people welcomed into our country should not be put under pressure by the system or have their status placed in doubt. If anyone has been deported wrongly their cases should be reviewed and matters put right as best the government can.

I also trust she will stress as the Prime Minister rightly did last Wednesday the crucial distinction between legal and illegal migrants. Service has to be improved and any errors put right for legal arrivals, but the Home Secretary will presumably continue with her tougher policies towards illegals. Labour seems to wish to muddle this distinction.

The current Home Secretary agrees with the Prime Minister in wishing to reduce net inward migration to the tens of thousands, and is signed up to bringing that about. She issued a Home Office Annual Report for 2016-17 which she presumably approved which was crystal clear about the aim of reducing migration and the policy of removing illegal migrants. The Annual Report reminds us that that the government is committed to "Reducing annual net migration" and sets out how in that most recent year net migration had fallen by 84,000 or 25%.

It also states that a central aim is to "Clamp down on illegal immigration". Deporting foreign criminal offenders "remains a priority". "We continue to use the provisions of the Immigration Act 2014 and by December 2016 over 5700 foreign national offenders had been removed".

The Report continues with "The Home Office's approach to returns goes wider than criminal offenders. In January 2016 we broadened our engagement activity in priority countries to maximise returns of all nationals in the UK illegally". The Report also details numbers of people using the four Resettlement Schemes the Home Office promotes. The Report does not contain any individual targets beneath the general public target to cut net migration, but is peppered with numbers of how many people are involved in each of the detailed policies to try to implement the general target.

The Home Secretary will be expected to offer a robust defence of her approach, as well as updating us on how she is sorting out problems for those legally here. I also want to know when she is going to share with us the work she should be doing on a UK migration and borders policy for once we have left

the EU. It would be wise of her to correct again her slip over the Cabinet's long standing decision that we will be leaving the customs union when we leave the EU.

What use should the public sector have for the private sector?

Here are the slides from my recent All Souls Lecture on privatisation:

The Big Issue

- The big issue of public / private partnership, contracting out and privatization is back on the agenda.
- The government needs to clarify the role it sees for the private sector and make the case for why it needs private involvement in the public services.
- The public sector under both Labour and Conservative make extensive use of the private sectors as
 - Supplier of goods and services to public service
 - As adviser
 - As financier of public provision
 - As provider of public services

Ten Types of public service

- Public sector monopolies employing public sector staff using public sector assets, providing the service free at the point of use. This is some people's idea of a public service in general but is a limited case. The nuclear deterrent and the army are two good examples.
- Private sector companies competing to supply good or services, using private sector assets, employing private sector staff and charging the customers. This is the most normal form of public service in the UK for the supply of everything from bread to medicines over the counter.

Ten Types of public service

These are the main eight hybrid types:

- Public sector monopolies employing public staff and assets that charge the end users the cost and a mark up – planning departments, the grant of a variety of licences, the BBC etc.
- Public sector monopolies that employ private sector staff and assets to provide a free service – this would be a contracted out service like domestic refuse collection.
- Public sector monopolies employing private sector staff and assets and

charging the end user – not common, but could include a local monopoly leisure facility or toll bridge for example.

Ten Types of public service

- Competitive services provided free by the public sector with choice to the end user using public sector staff and assets – schools etc.
- Competitive services provided free by the public sector using private sector staff and assets – the GP service.
- Competitive services provided by the public sector but charging the end user – e.g. public sector leisure facilities.
- Private sector monopolies using private sector staff and assets and charging the end user – these are rare but include regional domestic water monopolies.
- Private sector competitive businesses employing private sector staff and assets that do not charge the end user – free newspapers, free to air commercial TV etc.

Privatisation

Privatisation describes a range of different policies. There are two possible main ingredients:

1. Transfer of assets and risks from public sector to private, as with the sale of trading companies like the water business or BT.
2. Introduction of competition into former public sector monopolies, as with the licencing of competitors to BT and to British Rail trains.

In order to qualify as a privatisation there does have to be a genuine and substantial transfer of risk from public to private.

There is usually money passing from the private sector to the public when they buy the assets, but you can have privatisations for negative consideration where the assets and business are heavily lossmaking.

It is best when privatizing to break monopolies, but this is not always done.

Privatisation

The capital provided by the private sector will usually be dearer than the government raising it through a bond issue on its own balance sheet. So why might it still be cheaper for service users and better for taxpayers?

1. The private sector may well have better capital discipline, controlling the cost and the time it takes to build new facilities.
2. The private sector may be better at employing people, creating a higher wage higher productivity environment which is also better value for service users.
3. If a mistake is made with an investment private sector shareholders have to meet the losses, not taxpayers.
4. The private sector may innovate and grow the business, finding new revenue

streams and activities which supplement the core activity.

What happened as a result of the major privatisations of the 1980s-1990s?

- The privatized railway reversed years of decline in the use of the railway and turned it into a growth business. Labour blamed a couple of bad accidents on privatisation, though the safety record was no worse than BR. They renationalised most of it.
- The electricity industry switched substantially from coal to gas and greatly raised the fuel efficiency of its output, driving prices lower before the Labour government turned it into a heavily regulated and controlled activity.
- The telecoms industry was transformed by competition and private investment, breaking free from the shortages and lack of innovation of the old nationalized industry. The huge growth of the City would not have been possible with monopoly BT rationing service.
- The water industry modernised and spent more money on investment, but gains were limited by the lack of permitted competition.

Could we have more private infrastructure?

1. Telecoms – definitely Yes, and we are
2. Roads – problems with road pricing when the bulk of the system is free and will remain free
3. Railways – lack of investment return without guaranteed subsidy
4. Energy – Yes, but need for regulatory clarity and consistency

Why is so little private infrastructure started when so many say they want to invest?

1. Slow pace of planning and licences for large projects
2. Uncertainty over what an infrastructure investment looks like
3. Arguments over how much risk the private sector can and should take

What other forms of partnership make sense?

1. Design, build, operate schemes
2. Contracted out services
3. Provision of specialist services by private sector for public
4. General supply

How far should general supply go? The case of medicines

1. Research and development of new treatments
2. Manufacture of the drug
3. Supply to NHS central warehouse
4. Supply to ward or surgery just in time
5. Supply direct to out patient
6. Role in repeat prescription whilst preserving control of Dr

The world of the internet

Now the public sector is so reliant on private sector internet technology, service provision and data storage what does this do to the definition of public service and to the role of the public sector official?

1. Data generation
 2. Data storage
 3. Data processing
 4. Data use
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The Commons tries to undermine the government's negotiating position

Yesterday was another Groundhog day when we are asked once again to debate the customs union. Twice we have had major debates and decisive votes on this issue, and twice the Commons has voted to leave the Customs Union when we leave the EU. One was on an amendment to the Queen's Speech, and one was on an amendment to the EU Withdrawal Bill. That's as well, as the EU is not offering us free membership of the Customs Union when we leave anyway!

Yesterday the Conservative party did not vote on the motion. The motion was not to embed this approach in law, so the government decided it was not binding. Another possible binding vote on this issue will be held again if Labour wishes to change its former position in the Commons when the EU Withdrawal Bill returns from the Lords, if the Lords have passed an amendment to that bill which Labour now likes. Labour abstained on the two important votes held so far on the two rebel Labour proposals to stay in the customs union.

The problem with all these motions and amendments to draft legislation, binding or not, is they are requiring something which is not in the gift or

control of the UK government. Were the government to give in and accept we should belong to the Customs Union after leaving, or want a customs union look alike on departure, that would require an offer and consent from the EU. I do not think the EU would give us such membership without also demanding we accept freedom of movement, budget contributions and obedience to many of their laws, as if we were still in the EU.

I have often made the case why many of us prefer not to be in a customs union anyway. I think we will be better off out. Yesterday there was a tired old rehash of the Remain arguments from before the vote. Most of those contributing have clearly never run a complex supply chain in their lives and have no idea how modern business works. Their speeches were peppered with words like “paperwork” and “form filling”, conjuring images of queues of lorries at borders as staff tried to work out what the lorry had on board, how much customs dues it should pay and how each product conformed or not with rules of origin. There was no talk of electronic manifests, filing in advance, electronic debits for customs dues as for VAT and Excise at the moment, no mention of Authorized Economic operators with rapid transit at borders, no mention of TIR and all the other ways that have already been developed to ensure the free flow of goods. In modern complex industrial supply chains each item is recorded in detail so its past can be traced, and this is recorded on electronic manifests which can be made available to the authorities to settle any issues and money owing without needing to do that at a border post. There is today complete electronic visibility of goods in transit by all Authorized Economic operators. Nor in the debate was there any acknowledgement let alone understanding of the WTO’s wide ranging Trade Facilitation Agreement which binds both us and the EU, nor of how the rules of origin are currently policed without border hitches.

There was a concerted effort to try once again to undermine the UK’s negotiating position. Sending a loud hint that the government might be forced to change its mind on customs union membership was obviously designed to weaken the UK’s position and give the EU more reason to delay serious talks in the mistaken belief that the UK position on that matter might alter. There is clearly no point in negotiating a free trade agreement between the EU and the UK if the UK is going to stay in the customs union after all. Instead we would just face dictation of terms, as an EU that could not believe its luck would set about recreating all features of our membership of the EU as the price for such a concession, rightly claiming that you cannot be in a customs union unless you go along with much of the rest of their project.

[Treasury policies slow the UK economy as planned](#)

At a time when most of the world is following expansionary policies, the UK

has gone cautious. Where the USA is cutting taxes and increasing spending, the UK has been putting through targeted tax rises on cars and homes. Where the Euro area keeps interest rates at zero and carries on printing extra money, the UK is reining in credit, putting up rates and tightening money.

The main policies which have worked to slow the economy include

1. Tax increases on Buy to let properties, and higher Stamp duties on second homes and expensive properties
2. Increased VED on higher priced new cars, and threats of more anti diesel action to come
3. Increase in interest rates
4. Removal of lending facilities for commercial banks
5. Warnings about car loans and consumer credit

Two sectors have been specifically targeted. The first is the car industry. Higher Vehicle Excise Duties, anti diesel messages and a reduction of car loans has led to a decline of 37% in the sale of new diesel cars for the year to March 2018 compared to the year to March 2017. Note this has nothing to do with Brexit, as car sales were rising for the first nine months after the decision to leave. Overall new car registrations rose 8.4% in the year to March 2017, and fell 15.7% in the following year. This has led directly to lay offs in auto plants.

The second is housing. The higher Stamp duties introduced in April 2016 for expensive homes and all second homes/BTL properties led to a 14% fall in the number of residential property transactions in 2016-17 compared to previous year. The fall was especially sharp before the referendum. The decision to phase out mortgage interest relief for higher rate payers by 2020 has made investing in BTL much less attractive. There has been a general substantial fall in BTL investing.

This is an interesting change of policy by the Treasury, given their statement in 2010

“The Private Rented Sector plays a critical role within the housing system, helping to meet growing demand and providing a flexible tenure choice...it is important the sector continues to grow”.

Given the work that went into attracting more auto investment here, and the encouragement to the BTL market, it might be time to review the need for further slowing.

(PS I own no BTL property and do not buy a car dear enough to attract the high VED)

All Souls College Oxford lecture at 11 a.m. in Old Library on Friday 27th April

I will be giving a lecture on public services and the use of the private sector. Please let me know if you would like to attend.