

UK Car market declines – again

August was a quieter month than usual for car sales. Despite the recent exit from lock down, sales fell 5.8% on the month, with an especially big decline in business purchases. Many people and companies remain put off by the aggressive Vehicle Excise duties, and by the continuing spin against conventional cars.

As I feared, present policy is much more successful at dissuading people from buying new diesel or petrol cars than it is at persuading them to buy new electric vehicles. 2020 to date has seen a massive 59.7% reduction in diesel car sales. It is this segment of the market that the UK had done so well in, with large investments in clean diesel engine technology. There was also a decline of 44.6% in petrol cars. There were substantial percentage gains in the sales of electric and Plug in Hybrid cars on a small base. The market year to date has seen all electric vehicles take just 4.9% of the sales, and Plug in Hybrids 3.3%.

If the government cares about the state of the motor industry it needs to review its tax policy, and to reflect on the pace of change to electric products. It is curious that the car industry itself does not seem that concerned about the damage transition is doing to it. Some are still talking about Brexit effects when it is obvious that CV 19 shutdowns and the hostility to diesel and petrol cars has driven a big decline in the market before we leave the EU single market. It is tax and electric car policies that pose future problems.

What would it take to get readers to buy a new car any time soon? And what would you want from an electric vehicle on range, charge times, availability of power and price of car to make it a more interesting proposition? Clearly the public is very underwhelmed by the current offerings despite the enormous pressure on everyone to switch. So far the government is just proving it is easier to destroy successful past investment than to make successful new investment pay. They have put people off new cars but find it difficult to switch them to battery products.

No need to increase taxes

(A longer version of this was requested by the Daily Telegraph for this morning after I had prepared this blog)

Levelling up is a good idea. It requires tax cuts, not increases. It requires using the planning system to allow more building and construction based investment in the parts of the country that want the extra jobs and money it brings.

The government has just shown how a tax cut can provide a good boost to activity, jobs and incomes. The cut in Stamp duty has encouraged people to get on with swapping their home to a property that is closer to their current needs. It has helped people downsize and upsize, to move from urban areas to more rural areas, or to move into cities from the countryside. It has allowed people to buy extra space for homeworking, or locate closer to schools or workplaces. It has given them more choice.

As a result housing transactions have just exceeded the pre pandemic levels. When people move it creates work for the estate agents, conveyancers, mortgage businesses, removal firms, painters and decorators, builders doing small works and many others. The Inland Revenue will probably be a winner too from taxing all that extra activity as well as getting a Stamp duty boost from more transactions as some offset to the lower rates.

Government works best for people when it respects their wishes, helps them achieve their ambitions and extends their effective choices. We need a series of policies that do just that. Levelling up needs urgent action to bring in extensive freeports to boost industrial and commercial investment. It needs cheaper energy so we make more things here. It requires new farming and fishing policies so we grow and rear more of our own food.

The government cut the top rate of income tax and collected more revenue from the better off. It cut the rate of corporation tax and collected more revenue from business. It offered a meals discount and kick started restaurants. Let's have some more policies that promote levelling up by cutting taxes and costs for people. That way we will get the deficit down more quickly, from all the extra activity.

Housing numbers for Wokingham

I gave a Radio Berkshire interview this morning about the housing numbers. I explained that there are no settled numbers for the next Plan period. The current government consultation is about how to calculate the numbers. I am responding with a different proposal that would enable Wokingham to set a reduced growth rate in new homes after the extensive development of the current local plan.

The main point I am stressing is the need for the government to set a new planning policy which helps levelling up. Levelling up means more of the substantial investment in new homes should go to the parts of the country that need and want the jobs and money which such a stimulus brings. The Housing Minister has just published an article saying the illustrative numbers around the Consultation will not be the actual numbers and saying they want there to be local input into the totals. We need to hold them to that and help them come up with a better system that respects local wishes.

Levelling up and planning

The government wishes to see 300,000 house a year built, largely by the private sector. This would amount to an annual investment of say £50 billion in their construction.

We have held the debates before about migration and numbers. Today I wish to discuss the issues the government is consulting on. The consultation is not about migration and just assumes large house numbers.

The issue is where should such a large number of homes be placed? The government has recently issued a couple of Planning policy documents. I wrote about the main one here, eliciting little interest.

The second one is a series of proposals for immediate rather than longer term reform of our planning system. It sets out a new method for calculating housing need which in turn would inform housing targets for each Council in the country.

The base position seems sensible, suggesting a 0.5% increase in existing stock in each Council area each year. This would provide a reasonable number of new homes everywhere allowing some flexibility to home buyers. There is then an added "affordability" formula or algorithm to increase these numbers, as 0.5% leaves the country well short of the government's own 300,000 target.

The adoption of this proposal produces a strange result. Instead of adding to the housing stock in the places where the government wishes to level up, their numbers are cut. Instead of reducing the flow of more investment and better paid people into the areas that are already well above average in prosperity and employment, they are scored to need many more. The estimates of the impact suggest Sussex would see a 127% increase and Surrey an 83% increase whilst the North East would have a fall of 28%.

I suggest the government thinks again lest this algorithm proves as troublesome as the exams one. We need a levelling up one, where more homes are built in those places which want the investment.

Housing numbers in Wokingham

I am making the case for a slower rate of development for our area as the Council moves to prepare a new local plan. I am responding to the government's latest consultation on planning issues and will follow up my written submission with a meeting with the Minister.