

## Dealing with the EU

I am glad to see Lord Frost has been brought in to sort out the remaining difficulties over fish, and the trade issues between GB and Northern Ireland. I hope he will also be a strong voice to deliver the wins from Brexit we have often discussed on this site. Next week's budget offers another opportunity to lower or remove EU taxes imposed under their VAT rules and to amend their court judgements on business taxes. There is also plenty of leeway to use our new grant and loan regimes at the Environment and Agriculture Department to grow more food at home and serve our local markets better. Our renewed status as an independent coastal state should be used to regulate our fishery properly, with protections against ultra large trawlers and damage to marine environments by foreign vessels

Lord Frost needs to make sure the UK is full control of our own single market so that there is free trade between GB and Northern Ireland as before, with the agreed protections for the EU's single market in the case of the minority of goods that go on from Northern Ireland to the Republic. All loads going from GB to NI for final delivery in NI can be certified as such by trusted traders and allowed to pass as before.

There is plenty of opportunity to make and grow more of what we need as we use the freedoms of Brexit. We also need a good statement next week with a timetable to end lockdown. The way to get the deficit down is to promote vigorous recovery by every means at our disposal.

Lord Frost needs to show more determination to stand up for the UK and to use our independence. Life should no longer be a series of compromises or negotiations with the EU about how to run our own country.

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## A coiled spring?

The Bank of England Chief Economist has chosen a metaphor to reassure us about the economic future. I never mind a bit of optimism but I trust it will not deter policy makers from offering more assistance to the economy. He argues that because many people who have kept their jobs and decent earnings have been saving over the last year they will soon rush out and spend their savings once lockdowns are eased. The economy is a coiled spring, about to spring into life as soon as the controls are eased. I daresay there is some pent up demand for leisure and hospitality when the all clear is sounded.

The figures do indeed show that overall savings are up, but that conceals big differences in experiences of people, There are people like the Bank's senior employees on good salaries that have continued to be paid in full during lockdown who have saved. They have been unable to spend money on

foreign holidays, trips to cultural and sporting events and good meals out in restaurants in the way they used to. They have probably allowed some cash to build in their accounts. There are also people who have lost their job and seen their income fall as they go onto benefit. There are people who are furloughed or working only some of the time given the lockdown restrictions whose income has been impaired. Many in hospitality and entertainment and many self employed and small businesses have suffered financially. It is most important they are offered continuing assistance until lockdowns have ended and they are able to earn their full living again. Families have had to spend more on utilities, food and other essentials at home as they and their families work and learn at home which means many have not been able to save.

I expect when they are able to people on decent incomes who have saved a bit will want to book a meal out or a staycation at a hotel. They will want to book events again as soon as that is allowed. The problem for the hospitality and leisure industries is they will not get back the lost cash from cancelled business over the last year. When you return to a favoured local cafe you do not buy two lunches for yourself, you just buy the one now, not the one that was cancelled by lockdown. If you decide this year you can celebrate your birthday at a local restaurant, you do not pay for the celebration last year they had to cancel. Some hotels and entertainment venues have been holding cash from customers who missed out on their previous bookings. They will have to supply service with no new cash from such customers. There could be a bonus for the UK if overseas travel is still restricted or problematic in that more people may take a holiday in the UK, though there will be in all probability be a continuing loss of foreign visitors.

So I agree there will be a recovery, and there are opportunities out there were resilient businesses. I think the authorities should also remember this has been a tough time for many self employed and small business people. It does not all snap back quickly when controls are eased. I want to see a budget for recovery, jobs and the self employed. We need their flexibility, and some of them have not been treated well over the lockdowns.

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## [Power cuts and cheap energy](#)

I am writing again to the new Secretary of State at the Business Department about our energy situation. I am asking him to reassert the priority of ensuring sufficient supply in the UK for our needs. We have become too reliant on imported electricity from the continent. They are embarking on closures of many nuclear stations and coal stations, are becoming more and more dependent on Russian gas, and may in the future have less surplus to send us. We can neither rely on their power being green enough nor always available for our needs. I also wish him to reconsider the issue of affordability. To tackle fuel poverty cheaper power is a big help. To attract

and retain industry at home, a plentiful supply of good value electricity is essential. The importance of reliable supplies has just been underlined by the substantial outages in Texas at a time of very cold and snow filled weather.

It is important not to have the wrong policy for the sake of a mistaken way of calculating the carbon results of our actions. If we only count the carbon dioxide emitted by industry in the UK, and not the carbon from all the factories abroad making products to sell us, we will develop a policy which positively encourages the deindustrialisation of the UK. Many goods made in China are made using substantial quantities of gas and coal for direct fuel and to generate the electrical power also needed by the factories. It is false accounting to ignore all that but to penalise UK producers for using fossil fuels.

The UK may well be able to generate much more power from renewables. The government should be keen to encourage more capacity to be installed by organising the relevant auctions and putting in place the necessary policies. As it has big ambitions for electric cars and heating it needs to plan for a huge expansion of generation, as well as for the replacement of the ageing fleet of nuclear stations that are about to be retired. More biomass based on UK wood would be an option, as it generates reliable power. More water power from new barrages and from tidal interventions would be predictable. With the right auctions and rules it would be possible to strengthen our capacity and provide some competitive pressures on prices.

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## [Making cars green means closing engine plants](#)

The decision of most governments and the world Climate Change conferences to go for electric cars unleashes a juggernaut of change on a shaken motor industry. Sales of new diesels and even of petrol engined vehicles have plunged. Potential customers have often decided to hold on to the vehicles they already have, to see what is going to happen to car fuel taxation, to subsidies for new electric vehicles, and to taxes and regulations on the use of diesels and petrol cars before committing to a new product. The wary who might like a new diesel or petrol vehicle worry lest in a few years time they are blocked from going where they wish, given the way German cities for example are already blocking older vehicles from entry. What will happen to second hand values when we reach the point of a ban on the sale of all new diesel and petrol cars? Some fear a fall, others think they might paradoxically go up as people chose to buy a second hand one in the absence of a new one.

It is true that lockdown last year hit output and sales badly, but it would

be wrong to think all the fall in diesel sales was temporary. There was a trend developing against new diesels before the pandemic hit, which will continue given policy as lockdown ends. The car industry has accepted, even welcomed the transition to electric. It will be costly, disruptive and difficult for those involved. The industry has preferred to talk about other far lesser issues or more temporary concerns and ignore the structural imperatives that should preoccupy it.

The UK government needs to be engaged and concerned about the UK car industry. The UK with some government encouragement and help built itself a great position in diesel engine technology and output. Ford changed Dagenham from car assembly to an engine production plant. BMW put in a great automated engine plant at Hams Hall Birmingham. Jaguar Land Rover spent a lot of money with government help on a brand new engine facility at Wolverhampton. Toyota put in an important engine factory on Deeside. The UK helped design and perfect the new clean diesels with practically no particulate material coming out of the exhaust. All these plants make engines which the government wishes to retire by 2030 at the latest, with encouragement to people not to buy such engines from well before that date. These factories cannot make the big batteries that form the core of the electric vehicle power unit, nor can they turn out the electric motors without stripping out all existing equipment and starting again.

If the UK is to keep motor manufacturing at home it needs to support and encourage large scale battery production and new factories for new electric models. The problem both the government and the industry have is they need to put in all this electric capacity before there are enough customers to buy the vehicles. Jaguar Land Rover shows the problem. Their buyers still want to buy the petrol and diesel product. As they transition to an all electric line up they have decided to go more up market, losing the better off and concentrating on the rich who can afford to pay many tens of thousands for a single car. This will probably mean much less volume. If they end up closing or greatly shrinking the Wolverhampton engine works and Castle Bromwich assembly works, favouring more overseas production, they will also lose more traditional UK buyers of their product who like the Britishness of the brand.

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## [Buying from the EU](#)

Eskenzi PR and Marketing put out a press release yesterday reporting a sampled survey of 1000 people. They said that one third of those asked had stopped buying EU goods. Reasons given included extra costs and delays in getting the goods into the UK and an unwillingness to buy EU goods given the attitude of the EU to trade with us in recent months.

I would be interested to know whether your experiences bears out this survey. Does it worry you? Do you yourself seek substitutes for EU products?

It is curious if true that the EU is trying to impede exports to us as well as seeking to make our exports to them difficult. The UK has made clear it was not going to impose new barriers at our ports to get in the way of the substantial volume of imports from the EU that we have accepted, and is working with a grace period at our borders. Despite this there are reports of surcharges on card transactions and postal delays. It is also true that some continental websites have failed to collect UK VAT as required leading to an extra bill for the UK consumer who expected VAT to be included in the pricing,

I myself have long followed a policy of buying UK food items wherever possible, to cut the food miles and to back UK fishing and farming. My second choice is to import from a developing country who are in more need of the trade and who have warmer climates offering products we cannot grow here.