Times Radio Interview

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John Redwood won a free place at Kent College, Canterbury, and graduated from Magdalen College Oxford. He is a Distinguished fellow of All Souls, Oxford.

WPQ answer – Rail industry funding

The Department for Transport has provided the following answer to your written parliamentary question (15523):

Question:
To ask the Secretary of State for Transport, what recent estimate he has made of the level of funding his Department will provide to the rail industry in the 2023-24 financial year. (15523)

Tabled on: 26 February 2024

Answer:
Huw Merriman:

The Central Government Supply Estimates 2023-24, presented to the House of Commons and published on 27 February 2024 (see link below), details the funding provided to the Department for Transport across a large number of different areas. The value associated with all rail and rail related lines is £33.029 billion, across both Departmental Expenditure Limit and Annually Managed Expenditure. More than half of the total value is associated with Network Rail, with other areas including but not limited to High Speed 2, Crossrail and support for passenger rail services. The numbers in the Central Government Supply Estimates take account of technical accounting adjustments and are not necessarily reflective of cash that will be required.

https://assets.publishing.service.gov.uk/media/65dcb981b8da630011c86233/E03059123_CG_Supp_Estimates_2023-24_Bookmarked.pdf

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Electric cars

The latest figures for battery car sales in the EU show them down 11% in March, with a market share down at 13%. The fall in Germany was particularly steep. This follows news of price cuts and poor sales at Tesla.The Tesla share price is 62% down from the peak. Tesla announced 14,000 redundancies.

This should be a salutary warning to governments and car companies. It is no good ploughing on with new products that too few people want to buy or can afford. Governments need to do more to deliver enough affordable renewable electricity before trying to force the pace on adoption of battery cars. Why try to sell more EVs when they need to be recharged with electricity from a gas power station?

Governments and international conferences have not been straight with the public. It is not green to scrap a petrol or diesel car early and make a new battery car to replace it. It is not green to run a battery car recharging it with fossil fuel electricity. If many people do get EVs governments will impose taxes on using them to replace lost petrol taxes. Using a battery car will not be easy until there are many more fast recharging points. Going electric requires a huge expansion of the grid and cable systems that serve us.

Car companies spend plenty of money on EV car ads trying to make them look the thing to have .They never talk about running costs. How much does it cost to recharge? What happens to insurance costs? What is the true range? How long will the battery last? How quickly does battery performance deteriorate? How easy is it to repair a damaged battery car? The ads need to be more informative. Many people have many good reasons not to buy a battery electric car. The rich can afford them and often have a petrol car as well for long journeys. Most people think they are too dear, difficult to recharge away from home and no use if you do not have a driveway or garage of your own.

My Intervention on the Safety of Rwanda Bill amendments – Court challenges

John Redwood (Wokingham) (Con):

Many people share the Government’s ambition to stop the boats. Would these Lords amendments not muddle the legislation in a way that, once again, would leave us open to an unnecessary court challenge? Can he reassure us that, unamended, the Bill will do the job?

Michael Tomlinson:
I know my right hon. Friend has taken a close interest in the Bill since the outset, and he is right. The amendments fall into two categories: those that are simply unnecessary and those that are worse than unnecessary. The second group are wrecking amendments deliberately designed to prevent the very things that the Bill was designed to do—namely, stopping the boats and getting the planes off the ground.

My hon. Friend the Member for Stone (Sir William Cash) has previously accused me of repeating myself from time to time—heaven forfend—but he is right, because our approach is justified as a matter of parliamentary sovereignty and constitutional propriety. Indeed, my right hon. and learned Friend the Member for South Swindon (Sir Robert Buckland) has even said that it is not unprecedented, and he is right. It also meets our international obligations.

The Bank of England should cut the losses

I am trying to get more to put this case to the Treasury and Bank to stop the outrageous losses. Please use this text.

The Bank of England has received £49.4 bn in payments from taxpayers and the Treasury so far to cover its losses on holding and selling bonds.. OBR forecasts point to further substantial losses to come. They estimated these at £179 bn in the March budget papers. This year could see the need to pay the Bank of England a further large sum.

These payments increase the public sector deficit excluding the Bank of England, which is the figure used to assess how much headroom the government has to increase public spending and or reduce taxes. It is in everyone's interest to minimise these losses and to protect the taxpayer from the possible outcome forecast by the OBR.

There are three main sources of loss. Some of the bonds were bought at prices above the repayment value of the bond. These losses are unavoidable if the bonds are held to repayment. It is true if at some future date interest rates had tumbled and the price of the bonds have again risen above the repayment value you could then sell at a profit. We cannot assume that is going to happen anytime soon. Meanwhile there will be some losses as bonds mature.

The Bank is actively selling £100bn of bonds a year into the market, taking larger losses than if they held them to maturity, and taking the losses sooner than they need to. The Bank could stop selling these bonds, allowing them to be repaid in due course on maturity. Some mature quite soon, Others are long dated and can stay on the balance sheet. Stopping selling the

bonds would stop a large amount of the total losses.

The European Central Bank and the Federal reserve Board also bought lots of bonds at high prices and have considered what to do with them. The ECB has decided not to sell any prematurely into markets that are now so much lower than when they bought the bonds. They will allow them all to run off as they mature with lower losses. The Fed has been selling some Treasury bonds but has recently stated it plans to halve the rate of sale, and to place more emphasis on selling shorter dated bonds where the losses are considerably lower than the losses on long dated. When interest rates are pushed up as they have been losses on longer dated bonds are much larger than on short dated, because you have to wait so much longer to get your money back.

The third source of loss is the Bank receives a lower rate of interest on the bonds it has bought than the rate of interest it pays the commercial banks for the money they deposit with it. All the time the Bank keeps the base rate as high as today there will be losses on simply holding the bonds. The ECB has decided it will no longer pay interest on minimum reserves commercial banks have to hold with the Central Bank to cut these losses. The Bank of England and the Fed did not pay interest on reserves prior to 2006. The Bank of England could align its policy with the ECB.

These actions would lead to a substantial improvement in the UK public sector finances excluding the Bank of England. The Bank would not suffer as a result, as it admits these sales are not crucial to its monetary policy. These proposals do not interfere with Bank of England independence. The Banks independence is over settling the Base rate and assessing inflation , which this does not change. The Bank says it acts as an agent for the Treasury over bonds. It needed the approval of successive Chancellors for all the purchases, and insisted on a Treasury guarantee against loss. As the Treasury is the guarantor it can also influence when these bonds are sold.