Buying more at home

If a bus company buys a bus made abroad the impact of the transaction on the UK economy and state finances is very different to a bus company buying a UK made product. The overseas product requires the UK to acquire the necessary foreign exchange, which means either borrowing in a foreign currency or selling UK assets to overseas buyers to balance the UK's balance of payments. Buying a domestic bus imposes no strain on the balance of payments and means no demand for foreign currency.

Buses are often bought with public subsidy, as many bus services are supported by Councils. The situation is even clearer where the public sector directly buys vehicles from foreign makers rather than domestic product. If a Council buys a home produced vehicle the state will get the benefit of the tax on the employees who made it and on the profits of the firm selling it. If the state buys a foreign product there is no tax gain from taxing the producers. The more we make at home the higher employment is, so the lower benefits to the unemployed can be.

When you look at countries like France and Germany you see that despite EU procurement rules their governments tend to buy domestic product in areas like vehicles much more than the UK does. The UK government should start taking into account the wider costs and losses of revenue from sourcing from abroad, and within international rules should seek better outcomes for domestic supply as other countries do.

The UK government is puzzling over whether and how to stop the rash of foreign acquisitions of UK companies and assets. One way to slow that tide is to buy less from abroad. The days of UK governments offering UK assets to foreign buyers and calling it inward investment seem to be coming in for some criticism.