

Conservative Home – Nationalisation does not work

The Conservative government is adopting too many Labour policies when it comes to business and the economy. They will undermine growth, make combatting inflation more difficult and are driving Labour more to the left. Labour cannot believe their luck that Conservatives make them look more moderate and allow them to be even more socialist as they enjoy pushing the government further.

The government thinks the answer to the problem of the railways is more state control and nationalisation. It thinks the energy industries need to be placed under strategic control and guidance by the state, with a complex mesh of price controls, windfall taxes, requirements to do things that are not economic, with subsidies to stop bankruptcies. It thinks the digital and communications sectors need more regulation and a Ministry of Science and technology to direct and subsidise our way through the next five year state plan. It thinks energy using industries from ceramics to steel and from petrochemicals to fertilisers should be taxed to speed closure so we can import instead and claim a win on our carbon dioxide accounts. It wants literally to ban all our current motor car production industry from 2030 whilst hoping that miraculously an electric car industry will appear to replace it. No wonder investment is drying up and going abroad where you will still be allowed to make petrol and diesel vehicles.

Conservatives should know better and can do better. The years of privatisation revealed three great truths. Introducing competition and therefore giving consumers more choice gave a great boost to output and value for money. Opening up nationalised areas for private capital greatly expanded the total investment we could afford to put in. Allowing many decision makers instead of imposing an answer led to much greater innovation. The electricity generating industry freed of central control and state budgets put in a large increase in combined cycle gas generating capacity to supplement and then to replace expensive and dirty coal. Why hadn't the nationalised industry understood how much more fuel efficient and cleaner gas was? Power prices went down, we generated all we needed at home and had spare capacity just in case. The state telephone monopoly had backed a switching technology that no other country wished to buy and was well behind the breakthroughs with electronic switching made in the USA. The privatised industry dumped Strowger switching and leapt into the electronic age pulling the UK supply industry with it. Where rail competition was allowed in a less satisfactory privatisation it produced better and cheaper services, but was stifled in most places by continuing with top down controls.

Today we have to rediscover the old truths about nationalisation. The businesses will regard the government as the main customer, not the people who use the trains or need the energy and communications links. Managers will court and bully Ministers for more subsidy to cover over bad management. The Unions will enjoy striking against the government, knowing that the taxpayer can end up paying their wages where customers do not. Major mistakes will be made about investment priorities, about technologies, about levels and type of service to be provided, as they will be decided centrally

following political rows and will often not be customer responsive. I have no idea why some of my MP colleagues think a nationalised railway will work better. There is no sign of Unions readily accepting pay deals from the nationalised parts of the railway, and certainly no signs of them wanting to collaborate more with Minister led parts of the industry over improved work practices.

It is customers that keep businesses honest. It is the need to serve customers better and to provide better value and enhanced service that drives innovation, productivity growth and the higher wages that can result. The railway Unions are striking against themselves. They have helped dissuade people from returning to the offices five days a week, undermining their most reliable source of revenue of the pre covid railway. Now they are also out to wreck the alternative strand, people taking trains for leisure and pleasure. If you target strikes on days covering the Liverpool music contest and the cup final you will undermine your best chance of a growth business. The truth is none of us have to use the railways. We can drive. We can take a commercial flight. We can stay at home and use an on line link for a virtual meeting or entertainment download. If the rail Unions do not co-operate in adopting new technology, improving service reliability and quality, and ensuring affordable tickets then their industry will continue to decline. One day taxpayers will say no more and demand an end to excessive subsidies to pay for trains few are using and none can rely on.

The energy situation is more alarming. Ministers encouraged by officials seem to want to make us ever more reliant on imports though pipes and cables to European coasts, despite the shortages of energy on the continent and the clear dangers of relying on the goodwill of neighbours. Some want to introduce electricity rationing by price and to get people to only use power at certain times and days through sending price signals. Business will be rationed anyway through actual cut offs when there is not enough power. Aware of this danger many people in the UK refuse to accept a smart meter even though it is supplied to each free of charge, paid for out of general taxation. Many want us to keep our oil and gas under the sea, only to import far more liquified natural gas which not only adds to our colossal import bill but adds to world CO2 at the same time!

The money go round is now absurd. Generators of power facing high carbon taxes and price controls can then attract subsidies. Renewable energy suppliers now face windfall taxes though they are still preferred. Labour clearly signal they love this system and would increase the taxes further, removing the remaining incentives to invest and making us even more dependent on imports.

Basic industry is suffering from the arrival of dear energy. Industries like steel and ceramics have to pay large carbon taxes on the gas they need to use to fire their furnaces. As the UK imposes higher carbon taxes and charges than any other advanced country the government has to give some of the tax back as a subsidy. Why on earth do they do this? Why not cut the tax and be done with it if they want some of our industry to survive?

So here is an easy way to win back lost votes and assist growth. Cut the high taxes, and allow competition and private capital to do the rest in these crucial industries.