Higher taxes cut car sales as planned

The Treasury has hit diesel car sales hard as the government wished. They have managed to bring the whole new car market down for a year by pushing up taxes in the Spring 2017 budget and leaving open future tax attacks on diesels in particular. People fear further action by national and local government. It was a surprising policy choice given the considerable work past governments put in to getting more car engine manufacture in the UK.

There have been stenuous efforts to blame Brexit and " confidence" but the numbers showed confidence and car purchases soared for nine months after the vote, and then plunged as the taxes came in and car loans were tightened by regulatory action. I blame the taxes.

I guess the Treasury is pleased with its work. It has achieved a big planned reduction in new diesels, despite new diesel cars meeting all the government's own emission standards. It also has the side effect of bringing the UK growth rate down a little to get it closer to the official forecasts.

It probably means the government has collected less revenue overall, as the higher VED will be more than offset by the big fall in tax on new car sales. There is a 20 % tax on new cars, so each sale lost us a big hit on tax revenue.This then means the Treasury scramble around for something else it can impose a higher tax on, which could help slow another part of the economy they do not like. I will highlight some of their other successes in using higher taxes in posts to come.

Government Consultation on Unauthorised Development and Encampments

The Government is seeking views on the effectiveness of powers for dealing with unauthorised development and encampments. This consultation asks a series of questions relating to powers for dealing with unauthorised development and encampments, including:

- local authority and police powers
- court processes
- trespass
- planning enforcement
- the provision of authorised sites
- the impacts on the travelling community

The consultation is open to local authorities, police, local residents and community groups. You may register your views at:

https://www.gov.uk/government/consultations/powers-for-dealing-with-unauthorised-development-and-encampments

The consultation closes on 15 June.

[More car industry investment – thanks to Brexit?]

Nissan, Toyota and Vauxhall have all now announced important investments in the UK post the referendum. We were told the opposite would happen by Remain. During our tine in the EU Ford pulled out of making vehicles here and BL collapsed completely.

[Shop prices fall again]

In the year to March 2018 UK shop prices fell by 1% according to the British Retail Consortium. They tell us that "shop prices have been deflationary for 59 months now, and this is the deepest deflation since February 2017". I haven't heard the usual voices scrambling to tell us this is all because of Brexit. There has been far less comment on this than the rush to get it wrong when general prices were briefly going up a bit faster last year, when many came forward to tell us it was the result of sterling which in turn they thought was related to Brexit. I explained then that their forecasts of much higher inflation to come were likely to prove wrong, and explained how they had misunderstood the movements of sterling and their likely impact on prices.

Sterling has been rising gently for some time as we move closer to Brexit, and shop prices have fallen again. Sterling fell a lot in the year and a half before the vote for unrelated reasons. It had fallen from $1.71 to $1.42 before the referendum. This did not stop shop prices falling. It is around $1.40 today. The Euro was strong last year against all comers. Shop prices have always had more to do with world output, internet competition to retailers and the hugely competitive market for things like clothing and electrical appliances that the world market has provided. The Retail Price Index has been more volatile thanks to rising international energy prices and domestic price pressures like Council Tax and the EU/UK move to dearer electricity for policy reasons.

European health costs

I have been asking questions about how much it costs the UK to pay for health treatment for our citizens seeking treatment on the continent, and how much we charge people from other EEA countries for their treatment here.

In 2016/17 the UK received just £66m from charges imposed on the other member states for treatment of their nationals in the UK, whilst they charged us £630 m for the treatment UK citizens received. It is difficult to believe it should be that one sided. It is true a considerable number of UK citizens live in Spain, which charges us £200m for the health treatment they supply, but we also act as host to many people from the continent who also need to visit surgeries or receive treatment. The UK only received £5m from France for the whole year, compared to the £154 m they charged us.

The NHS in 2016/17 identified just £81 m of treatment carried out for people from the rest of the world, and recovered £30.4m in cash.

It does appear that despite the policy that EEA nationals health costs should be recharged to their governments, and non EEA people should be expected to pay for non emergency treatment, there is still some way to go for the system to identify the full amounts and to collect the cash from those who should pay.