

## The EU letter

I see a letter written by John Penrose to the PM about Brexit and supported by others has been leaked to the press. I am asked why I do not comment on it.

The letter was intended to be private, and is a small part of the many daily dealings MPs have with Ministers. I do not myself report private conversations or private letters sent to Ministers, and certainly not those written by others. I set out here my views clearly, which will be reflected in what I say and write to Ministers and what I support that others propose. I put here details of meetings or letters I have initiated where appropriate.

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## The argument that the EU stops wars

I find it worrying that some advocates of the UK staying in the EU claim that we need the EU to stop a future European war. This I think is a most unfair aspersion to cast on our continental allies, that somehow they would be launching aggressive military actions against each other or against us if there was no EU.

Modern Germany is a country transformed, compared to the Germany of Hitler. Since the defeat Germany has followed the democratic path, upholding civil liberties and the rule of law, and turning against racism and genocide. The western allies worked with the West German state to rebuild it after the huge damage done by the war, and welcomed Germany back into the family of western nations. Most commentary has concentrated on blaming the Nazis for the horrors of the holocaust and the general brutality of the Hitler regime.

All that has been helpful in ensuring a peaceful history in western Europe after the end of the 2<sup>nd</sup> World War, something a more penal peace did not achieve after the 1<sup>st</sup> World War. The fact that all the main western countries became democracies was crucial to a prolonged peace, as was the presence of US forces as guarantors of the security of western Europe. There is now a strong habit of co-operation between France and Germany which removed the relationship that caused most tension and war in the past. It is important to remember, however, that whilst many Germans may not have known of the full horrors of the genocide, all Germans did know that their government was unleashing violent forces against all the neighbouring nations of Europe with a view to conquest and occupation, and knew that the regime was removing Jews from their homes. The absence of any effective or wide ranging opposition to Hitler, and his strong showing in a couple of elections before he closed down the Parliament and governed as an autocrat, is part of the record. So is the coercion used by the Hitler government to suppress

criticism from those who were affronted by what happened. This makes the change to German attitudes even more welcome and important since 1945.

I found when I was Single Market Minister making frequent trips to the continent to negotiate ever more laws with fellow member states of the EU that some of my fellow Ministers from smaller countries on the continent had a difficult relationship with Germany. I was content to have a professional and friendly approach to the German delegation, and sometimes found the UK was in agreement with them. Quite often other countries would approach me and ask me to oppose the German position as it did not suit them. I told them to oppose it themselves, but they would say they did not feel able to do so. They saw that the UK was willing to make a case it believed in, whichever country of countries agreed or disagreed. We were not afraid to oppose the consensus, or to oppose the Franco-German common position which usually had been agreed before the rest of us met, and was frequently expected to go through by the Commission and some of the other parties. When France and Germany disagreed there was more scope for change and productive exchanges.

The issue of Germany's leadership of the EU has become a much more central one since the unification of East and West Germany made Germany comfortably the largest and richest economy on the continent. The completion of the Euro has made Germany's role even larger and more contentious with other Euro members. Some think Germany should share more of her surplus with the poorer countries. Some think Germany should relax the austerity policies that have characterised the Euro since its birth. The UK has been more observer than participant in this debate as a non Euro member. One of the main reasons I think the UK leaving the EU will be helpful to them as well as to us is it removes the different UK perspective from the Euro issues which matter greatly to the zone. All the time the Eurozone shares a budget with the rest of the EU, and faces a UK wanting a smaller EU budget, it distorts the debate about how big a budget and how many transfers a successful single currency needs. Germany may lose an ally for smaller EU budgets, but it is Germany who has to answer the fundamental question how much money do you need to transfer round a currency zone so that it can work fairly and well.

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## Higher Education

The government has announced a review of student funding and University fees. They have decided to do this because they are concerned that Universities do not provide competitive and varied course fees to reflect the different costs of provision and the different economic values to the student of differing degrees. They are also concerned about the scale of student debt and the rate of interest charged on it. This was an important talking point in the General Election when some in Labour seemed to say they would cancel all existing student debt, only for Mr Corbyn after the election to make clear this was not an affordable promise.

The government will have to remember that Universities are independent institutions with a substantial revenue from overseas students. It is not surprising that individual Universities have been reluctant to vary their pricing, for fear of being labelled a second or third rate institution if they decided on a price cutting strategy. It is also perhaps understandable that they have decided to price the same for each subject, meaning that high cost subjects like chemistry are cross subsidised by lower cost subjects that do not need expensive laboratories and supplies. Harmony between staff of different faculties and convenience of administration point to common pricing. There has also been a reluctance to vary prices related to demand and market value, though a law qualification or a finance qualification from a top university probably bestows more economic value on the holder than some other courses from less well regarded institutions. The government may well encounter resistance to the idea of segregated pricing, and may not wish to take pro competition action against the universities.

The present loan system allows for the possibility that some degrees do not enable the student to enter relatively high earning jobs, by allowing write off of student debt if the person stays in low paid employment. It also has the weakness that a high flier who can attract a well paid job may decide to leave the country and walk away from the debt. The high rate of interest acts as a kind of graduate tax on all those who do settle into employment above the income threshold.

There are three main ways that the system could be altered. The government could put more money in to subsidise expensive and worthwhile courses, or to subsidise good UK students. The Universities could be made to compete, with requirements for differential pricing based on costs, supply and demand. The government could continue with a loan based scheme with reform of the interest rate and tweaks to the requirements to repay and to the enforcement of repayment by those who are successful. The scheme can be made to be more like a graduate tax.

I am not myself recommending any reform. I will be interested in your thoughts. The loan scheme which Conservatives originally opposed, fearing it would lead to fewer people attending university and fewer people from poorer backgrounds thinking they could go, has had neither of those consequences. For that and other reasons the Conservative party altered its stance and came to accept and extend the loan scheme Labour introduced. I do favour more increases in scholarship funds so good students can be grant financed. Many universities now are raising these access funds from ex alumni and other wellwishers.

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## Better roads

The government is currently consulting on a network of A roads that have

strategic importance, to supplement the national network of motorways and trunk roads. These strategic A roads will continue to be local roads under the control of the local Highways Authority – a County or Unitary Council. They will be able to bid for substantial funds for major improvement schemes for these roads. I have been a keen advocate of such an approach. The Transport Secretary has secured extra money for later in this Parliament to provide assistance with these works.

The government has set out in its Consultation document a suggested map of routes that could be included. These tend to be large A roads where there has already been some substantial upgrades and improvements, dual carriageways and recently de trunked routes. The main aim is to choose roads with substantial current road usage, that link substantial settlements. They also need to consider the role of busy routes where they act to take some local journey pressure off an adjacent national highway. I would also trust they will consider roads that may not currently have very high usage, but given likely growth in development will be hitting those levels within the planning period of this initiative.

You might like to look at what is being proposed for your local area and to make some observations to your Council. Councils also need to consider what improvements they would wish to propose once some local roads are designated. Some will need extra capacity by dualling, some better junctions to improve safety and flows, some will need bypasses round settlements and bottlenecks.

On Friday I spent time with Wokingham Borough Council, one of the two local Highways Authorities in my constituency, discussing their response to the Consultation. They too welcome the general approach. The government has set out an indicative map of routes, but is open to persuasion to add or delete roads from the draft. In my area they have proposed designating the A 329M/A3290 Bracknell to Reading route, the A 33 Reading to Basingstoke road, and the A4 into Reading from the east, a relatively recently de trunked road. I have suggested adding the A 327 and the A 329 to these routes, where some major improvement works are already underway with the Winnersh, Arborfield and Shinfield by passes. Wokingham Borough is considering the case for a B road, the Earley peripheral, as well. Anyone with thoughts on this locally should write in to the Council and copy me in to the submission at Parliament.

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## [Taxing travel](#)

I saw in the press the case made for private sector run roads. The IEA pointed to the shortage of capacity of the current road system, the high pay backs that new road investment would achieve compared to new railway lines, and urged a more radical approach. The present government has ruled this out, and is only considering road user charging for lorries, not for private

cars. Without a system of comprehensive user charging private run roads with private new investment are impossible. This article is not an attempt to re open this issue, which the government regards as settled.

In the run up to the 2010 election the Conservative party looked at a scheme to repay debt from franchise fees for roads whilst abolishing Vehicle Excise Duty, but decided against it. The Conservatives were keen to find ways of cutting state debt. I am not recommending this scheme now, and the numbers no longer work with lower interest rates on government borrowing. I thought it might be of interest to see what has been explored and rejected in the past in the light of some people's wish to re open road pricing as an issue.

The aims set were

1 Abolition of Vehicle Excise Duty, introduction of road charges. Road users overall to pay no more in tax and no less as a result of the change

2. Tax road use rather than vehicle ownership

3 Raise a large sum of money from the private sector to pay off some national debt.

4. Government to retain the freehold of the road network so we were not selling long term national assets

5 Motorists to display and register their insurance so there remained accessible records of vehicles in use

6 Private managers of the highways network incentivised to increase capacity, safety and availability of road space

7 Price controls to stop monopoly exploitation of popular roads at popular times of day.

8. Winners from the scheme to be people on lower incomes, low mileage drivers and users of roads at off peak periods

The scheme entailed introducing road charges to replace the lost VED revenue. The government was to offer franchises to the private sector to manage and improve the main roads and to collect the charges to pay for the maintenance, management and franchise premium paid to the state. The franchises were to be auctioned for a specified price, with bidders bidding for length of contract. There would be absolute price controls to stop monopoly exploitation, allowing franchise holders to charge less off peak as they saw fit. The numbers worked to deliver £ 100 bn of capital to the government to repay debt, with later reversion of the franchises to do it again.

Private management of the highways was likely to result in improvements to flows and use, with less time with intrusive roadworks and closures. Franchise holders could add to the network, with incentives to spend capital on road improvement and protection for sunk capital if they lost the public sector road franchise.

The leadership considered it carefully but rejected it because it had a big political drawback . The public were so distrustful of government that they did not believe any government would honour the promise not to charge more. The scheme did of course offer a useful tax cut to those using the main roads less than the average. It was particularly helpful to low income and elderly households who drive fewer miles. The user charges only applied to the national trunk and motorway network.

Today interest rates are lower so the public finances would lose out from the loss of state revenue, so it is a non runner. The scheme worked financially only because the state saved in interest costs from debt repayment what it had lost in VED revenue forgone. Today some people are proposing a switch from VED to road charges but all collected by the state. This cuts out revenue loss but fails to deliver service improvements in highway provision. With user charges the motorist would likely get even more critical of the poor service and availability of roadspace in the UK with a public monopoly.