My Intervention in the Building Safety debate

John Redwood (Wokingham) (Con):
Given the shortage of capacity, what steps are the Government taking to encourage more businesses and people to come forward to provide good-quality building and construction work?

Michael Gove, Secretary of State for Levelling Up, Housing and Communities:
My right hon. Friend makes an important point. We need to ensure that we have in the development sector, and indeed in the building safety sector, a range of companies and actors determined to do the right thing. Some of the changes that we are making—to the national planning policy framework, for example, and other steps that my right hon. Friend the Chancellor will announce in due course—are designed to ensure that we have a diverse and energetic private sector market helping consumers and leaseholders.

My Telegraph article

We need a better paid jobs, more investment, good news, growth type of budget . This one promotes more employment with useful measures to encourage more people to get into the workforce which is welcome. It also comes with higher taxes, higher state spending and an increased role for the state in the economy.This is not yet the march of the makers, the liberation of the growers, the freeing of the small businesses, the attraction of the big companies and investors that could boost our output, cut our imports and lift our spirits. This is a budget that rightly says the wholehearted socialism of the Opposition parties would be worse, but thinks a bit of socialism is what is needed. It includes unfunded spending increases.

This budget prolongs energy subsidies, imposing windfall taxes and higher corporation taxes on energy suppliers and VAT on domestic energy consumers and motorists. Why the money go round? Why big taxes on energy when the price of energy is too high and has been so inflationary ? It looks as if adopting the Opposition's favoured higher energy taxes will cut investment in domestic oil and gas making us more dependent on imported fossil fuels with their added property of increasing world CO 2 in their production and transport. Without more domestic energy the tax revenues will slump from the sector, the balance of payments tilts further into the red and we lose the well paid highly productive jobs. Why continuing subsidies for higher income homes to cushion the costs of using luxury levels of energy at home?

Windfall taxes now on wind farms don't help much either, particularly on top of a big lack of grid capacity making it difficult to connect new investment to customers if a business did still want to try.

Just when Spain runs out of water for salads and Dutch food is hit by their government wanting to stop the farming the Uk opts to subsidise wilding, taking land out of food production altogether. The policy adds to the food miles and leaves us less to fall back on when the imports dry up. Instead of more tax revenue from growing and selling more this approach needs extra taxes to pay the subsidies to do nothing.

Much of industry needs large quantities of fossil fuel to produce iron, steel, ceramics, glass, chemicals, aluminium and much else. The UK imposes one of the highest carbon taxes in the world, hikes the corporation tax and then wonders why so much is closing. Susbsidies are ploughed in to offset some of the taxes, but too little too late to save some at risk plants.We end up importing more, with more CO 2 created by the transport to get the products here. The taxpayer has to pay to stave off more closures.

The motor industry had a great technical and market strength in cleaner more efficient diesel engines. These are now being closed down, with the government proposing to ban all new diesel and petrol cars by 2030. No other main car producer country plans such an early phase out. The industry is rushing to end investment in the UK and to shut factories ahead of the deadline. The advice to the industry to make electric cars here has not resulted in a surge to do so as the UK struggles to attract enough battery capacity . The industry finds many more people are put off buying new diesels than want to buy new electrics.

We could expand small businesses rapidly if they would lift the VAT threshold. Small business innovates, offers flexible service and can move quickly. We could start more businesses if the tax regime was friendlier for self employed people trying to build multi client businesses. We need more small building, repair and maintenance firms amongst others.

We could keep and attract much more investment here if we set a competitive corporation tax rate. Why not match the Irish rate? The EU and the Protocol seems to want align us in other respects with rules and laws in Ireland so why not do so with their most successful business policy? We know it works.Ireland raises so much more business tax than we do per person thanks to so many more companies setting up business there.Investment allowances help a bit, but large companies look at the longer term profits and cash flow of an 8nvestment which are seriously hit by a 31% increase in the tax charge.

A lot of socialism as recommended by Opposition parties takes you on a walk along a path paved with good intentions through mediocrity to poverty. A windfall tax here, a subsidy there, a price control here, a nationalised or government led business there and gradually you deter and lose private capital and competitive enterprise. Go the whole way like Venezuela and you end up with permanently empty shelves, rationing and an absence of investment. Talented people rush for the exit . Doing a bit of socialism will not increase the supply of homes, energy or food to ease our shortages. We need a capacity revolution. Cut the tax rates and grow more. Cut the rates and cut the deficit. Every time Conservative governments have cut business and income tax rates they have grown the revenues. The photo of Nigel Lawson in Number 11 should remind the government that even a little bit of Conservatism can work wonders.

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[My Intervention in the Spring Budget Debate 2023]

John Redwood (Wokingham) (Con):
Madam Deputy Speaker, I have declared my business interests in the Register of Members' Financial Interests.

I strongly welcome all the measures in the Budget to try to help more people into work. The Government are absolutely right that we want to move away from the model of always inviting in many hundreds of thousands of people from abroad to take low-paid jobs here. We need to work away at having more worthwhile and better-paid jobs here, with the right supporting investment and training.

I look forward to seeing the benefits in my constituency of Wokingham: more and cheaper childcare of a decent standard, better help for the disabled, improvements in the tax and benefits system so that it is even more worthwhile to go into work, and any supporting training packages or confidence-building activities that may be needed so that those people can get into jobs. Those benefits are very welcome, and they will make an important contribution, not just to our economy and its prospects, but to our wider society.

Where I take issue with the Chancellor and the Government is over their correctly specified need to boost investment and to get a lot more company activity in growing what we do here in Britain. I welcome the aim, and I of course appreciate that the 100% first-year allowance will be helpful. However, we need to remember that it is a replacement for an even more generous allowance, and that it is coming in at the same time that the Government propose a 31% increase in the rate of business taxation on profits.

On a couple of occasions in the past, I led industrial international companies, and as I have no more interests in those areas, I can draw some conclusions from my experiences. When we were making decisions about where to put the new product or the new investment, where to expand the workforce or where we might need a new factory, the headline rate of taxation in any country on our longlist was, of course, a relevant consideration. When we got down to a shortlist—countries with high rates did not tend to get on to that shortlist, unless we were already there—we then did detailed analyses of the project. Any first-year allowance or initial allowance would make a positive difference, but if over the 20 or 25-year life of the factory or project under consideration we would be paying 31% more profits tax, it would clearly not look nearly as good as it does this year in the United Kingdom, when we have one of the lower tax rates in the world.

The Government need to understand that at exactly the time that they are putting the rate up, our competitors are going the other way, particularly the United States of America. Although the Government say that its headline rate is slightly higher than ours, the details of the Inflation Reduction Act make it very clear that there will be all sorts of tax breaks, incentives and subsidies for a wide range of industries, including some of the industries that the Government wish to target here, such as digital and green. That will be a very important counter-magnet for the investment that we could otherwise get. The United States is, like us, an English-speaking country with common-law principles and so forth; it has many advantages, and we need to have a better offer to counter those.

Even closer to home, we have proof that lower corporation tax rates work for businesses and for the society that uses them, in the Republic of Ireland. The Republic of Ireland has the lowest tax rate of the main advanced countries competing for investment. A relatively small country, it has achieved giant steps in attracting large amounts of investment—much of which would, I think, have otherwise come to the United Kingdom—by having a much better rate of corporation tax. The proof that lower rates produce more revenue and help growth is that GDP per head is much higher in Ireland than in the United Kingdom, and business tax raised per head is much higher in Ireland—four times higher, I think—than here at home in the United Kingdom. As such, I ask the Government to look again at that issue.

The final point that I can fit in is that the Government need to look at this issue on a sector-by-sector basis. The energy sector is capital intensive. It is one of the areas where we could get a lot of big investment quite quickly with a lot of very well-paid jobs. We could improve our national energy security, cut the import bill and gain an awful lot of future tax revenue, because we tax energy at a much higher rate than other things. However, because we now have this incredibly complicated system with price controls on domestic energy, windfall taxes and carbon taxes—as well as subsidies to the industry itself because we realised the difficulties that those high tax rates were creating—we are causing complications. More importantly, we are putting off many big potential investors who would otherwise get more oil and gas out of our reserves, produce more deliverable renewable power and help to expand the grid, which will need to happen if we are going to carry on with those developments.

If we take heavy industry—ceramics, steel and so forth, which are big energy users—I think we have the highest carbon taxes of any major country. We have some of the highest energy prices on top of those very high carbon taxes, which means that we are not competitive in areas such as steel and ceramics. The Government then have to provide taxpayers’ money to those businesses, giving back some of the tax revenues in the form of subsidies, but that is often too little, too late, and we end up losing capacity. As such, I say to the Government, “Stop this subsidy, windfall tax, high-tax model. It is not working for the businesses, it is not working for our country, and it is not raising additional revenue to spend on other things.”

I am conscious that colleagues wish to get in, so all my other analysis and comments will be put on my website in the usual way.

The government’s proposals in the budget

• **Today we deliver our Budget for Growth by focusing on the Chancellor’s four pillars of Enterprise, Employment, Education and Everywhere:**
- **Extending 30 hours of childcare a week** to working parents of children aged 9 months to 4 years
- **Paying Universal Credit childcare costs up front** rather than in arrears
- **Introducing reforms to the childcare sector** including changes to 2-year-old staff: child ratios from 1:4 to 1:5
- **Introducing a £25 billion three-year tax cut for business investment**
- **Increasing the annual pension allowance to £60,000 and abolishing the Lifetime Allowance**
- **Establishing a new Universal Support programme** for disabled people and the long-term sick
- **Abolishing the Work Capability Assessment and increasing the Administrative Earning Threshold to 18 hours**
- **Extending the Energy Price Guarantee at £2,500 for three months**
- **Freezing fuel duty for a thirteenth year, saving the average driver around £200**
- **Delivering a Brexit Pub Guarantee** so draught duty will always be less than duty in supermarkets

• **By doing so we will remove the obstacles that stop businesses investing, tackle the labour shortages that stop them recruiting, break down the barriers that stop people working, and harness British ingenuity to make us a science and technology superpower.**

Budget

There are three government economic aims to halve inflation, ensure growth and have falling debt levels in the medium term. Fortunately there are measures which would help with all of these. The essential task should be to provide incentives to expand capacity in this country.

We are short of employees, short of some skills, short of home produced food and energy, lacking in many types of industrial output from steel to chemicals, short of hospital beds and transport capacity.

Most of this outside the NHS needs to be private sector activity and investment.

The government says it is going to take a series of measures to encourage more people back into the workforce. Older people may need tax changes and incentives to return to the workforce. Younger families may need help with childcare costs. Some need better training and support in work. I will support the measures they have chosen to help to bridge the gap between jobs available and people willing to do them. I do not support the low wage migrant model for meeting our employee needs.

The government says it wants to see more investment in energy and industry. In that case it needs to keep the corporation tax rate down. The decision to hike the rate makes us less competitive. The introduction of a 100% initial allowance for the costs of certain investments is helpful, but it is replacing the more generous super deduction we have at the moment so it is not going to give us any boost. At the very least the windfall taxes should be true windfall taxes that come down or end when the price of energy abates below a stated high level. Better still the government should cut taxes and remove subsidies at the same time. The money go round of adding taxes to high priced energy and then needing to give bigger subsidies to buy it makes little sense. Indeed, the high windfall taxes especially if allied to higher corporation tax will cut energy investment when we need more of it to increase supply and temper the price.

The OBR has changed its forecast for the current year deficit yet again. It was £99bn in the March forecast, £177 bn in the November forecast and now £152bn. I said in March they were too low and in November a bit high. They must be closer to getting it right now there are only a couple of weeks to the year end they are forecasting. Their estimate for next year of £131.6bn may be optimistic as they are forecasting slow growth and may be overestimating the revenue they can collect with some higher rates. They underestimated the Corporation tax revenue this year when it stayed at a lower rate.

They anticipate inflation collapsing to zero by 2025 for no obviously good reason. That seems unlikely, unless we do get an unforeseen recession. They now anticipate a much lower rise in unemployment this year and next than in the previous forecast. They now expect the UK to avoid recession this year after forecasting a down year at minus 1.4% in November, Their frequent changes of forecast, their failure to detect major changes of trend and their models which seem to underestimate the impact of changing tax rates on behaviour make these forecasts difficult to rely on.