

Mind the gap

One of the dangers of a political world that expects absolute loyalty to fixed views of the world and roundly condemns dissenting or sceptical voices is it creates a bigger and bigger gap between what people say they believe and what they imply they believe by what they actually do.

Today we see this in the long term issue of green transformation, and in the shorter term issue of how we should respond to the virus. Polls show a high degree of agreement with the Green movement propositions that climate change is real and a serious threat to our lives and livelihoods. There is also agreement with governments pursuing policies to lower carbon dioxide output.

This makes it curious that most people are not rushing out to buy an electric car or to trade in their diesel for a bicycle. There are no queues to replace the gas or oil boiler in the home with an electric system based on renewable power or heat pumps. Those who do take up cycling – and many do – are usually doing so as a leisure or keep fit activity, not as a way of getting children to school, going to work or picking up food from the shops. Prior to the virus many MPs and others were happy both to tell pollsters something more needed to be done about climate change, whilst continuing to book their foreign holiday jet flights, renew their internal combustion engine vehicle, continue with a meat and dairy based diet and buy products that had been shipped half way round the world to get to them.

I remember the ultimate irony when I went to a pre CV 19 meeting in London to hear the case for more electric cars. I asked the leading advocate about his own car buying habits. Without any sense of shame he told me he had not got around to buying an electric vehicle and had no plans to.

All this suggests that people do not think the threat of climate change is so great that they need to make much if any change in their own behaviours.

The polls on CV 19 show that 71% of the UK public are concerned or very concerned about CV 19 for themselves, and 87% are similarly concerned about CV 19's impact on the country as a whole. There has been majority support for lock downs, quarantines and early closing of hospitality venues.

Yet the recently released Kings College London study of public responses to the measures from March to August shows that only 18% of those suspecting they have the virus did actually self isolate, and only 11% of those contacted by Test and Trace to alert them to recent exposure to the virus stayed at home as requested. The study concludes that many people just find the need to stay at home with no ability to go to work, go to the shops or see friends and relatives too difficult. It may not be affordable, it may prevent looking after the people they care for, or it may be too stressful. Clearly whilst acknowledging CV 19 is a threat they do not think their own chances of getting the serious form of the disease are high enough to require them to comply with the isolation guidance.

Tackling the virus

Many want there to be an easy answer to quelling the virus. The medics and scientists search for a vaccine but have to warn it could take a long time or even prove a fruitless quest. Some seek better treatments to lessen the death rate from severe cases of the disease. These are the only two solutions to defeating the pandemic.

Others hold to the view that there is some special way that will eliminate the virus as it circulates in any particular country. Many countries are suffering intense debates about whether their governments have done well or badly in controlling the virus whilst limiting the damage virus control methods do to economies and jobs. The bitter truth is looking around the world most governments have adopted central World Health Organisation tenets that increasing amounts of social and economic activity have to be closed down to squeeze down the prevalence of the virus. Only then can gradual relaxations test out how far they can go in restoring a bit more normal life before virus disaster strikes again. Practically all governments that have adopted versions of this approach have ended up with a second wave and the need to renew the abrasive medicine of full or partial lock down.

In the early days of the crisis the cry went out that a massive expansion of ventilators would see us through. This was tried, only to discover the death rate remained high.

A more sustained case has been made out that Test, track and trace will do the job. The theory is if you test enough people, especially those who might be carrying it or have symptoms, and then isolate enough of such people and their contacts quickly enough, you will cut the circulation of the virus. We now see quite a few countries with large test and trace systems have second waves to deal with.

There are five central weaknesses to test and trace. The first is the delay in getting a test whilst people are asymptomatic or unaware that they have the disease. The second is the number of false results from tests which disrupts the data. The third is the refusal of some people to self isolate for a fortnight to make sure the virus has passed them, as people have demands on their lives which makes fourteen days locked in at home difficult. The fourth is the unwillingness of many to self isolate just because they are told they have been in contact with someone with the disease. The fifth is the impossibility of knowing many of the people encountered by a busy person who has travelled or been to populous places.

The organisation of accountable government at national level for good reasons also means that if any country does have success in curtailing the virus it then needs to shut itself off from foreign visitors whilst the virus rages. This can also be difficult given the strong patterns of global business ,travel and trade. Given the lack of success so far by the World Health

Organisation in producing ways to remove or tackle the virus there is no evidence world government would have cracked it to justify the lack of democratic accountability that would bring. The WHO of course does not have to balance curbing the virus with economic consequences in the way governments need to do.

Jobs scheme needs improvement

The latest proposals do not help businesses stopped from trading by law. Many of these businesses have a future once they are allowed to trade again. They have no income whilst they are shut. Surely the government should offer them some compensation.

The part time working help needs to be pitched so that it discourages simply making people redundant. If it is much cheaper to sack two people and leave one fully employed than employing three part timers on one third hours then some firms will do that which is bad news for jobs and speed of subsequent recovery.

Getting the deficit down

I want lower tax rates to boost revenues and encourage enterprise. The best way to cut the deficit is to have more growth which will generate more tax revenues and cut government costs on welfare. There are some in government, however, who want ideas to narrow the deficit. So here are a few that would cut the deficit without damaging UK incomes and jobs.

1. Return to charging every visiting foreign truck a fee for using our roads. Many foreign lorries travel on our roads, competing against UK hauliers who usually pay road tax. They often also fill up with fuel away from the UK, avoiding fuel taxes. The HGV Levy to cover this has been suspended and should be reintroduced. Going up to a maximum of just £10 a day, it should also be increased.
2. Collect payments for using the NHS on all visitors from overseas as current rules require. Encourage them to insure or to travel with sufficient money to pay for any Dr and hospital bills. There are too many stories of visitors not being asked to pay for their treatment despite the rules.
3. Cut the VED rate on new cars to stimulate more new car purchases.
4. Initiate an urgent review of the plan for the railways. The government has nationalised the huge losses the system must now be incurring. It

needs to design railway services that will be better used in current circumstances with more fare revenue, and with lower costs from running fewer empty trains. It also needs to look at the large investment programmes and concentrate on new technology solutions to providing the capacity that will be needed in the new conditions. Presumably peak travel will be much reduced as more and more commuters work more of the week from home.

5. Buy more UK government needs from domestic sources, subject to proper competitive tenders. This will capture more of the value added and tax receipts domestically on large procurement programmes.

Winter Economy Plan

I have today received this letter from the Chancellor:

I am writing to set out our Winter Economy Plan, the next phase of our planned economic response to coronavirus, following the Prime Minister's address to the nation.

There are reasons to be cautiously optimistic: thanks to our comprehensive and generous response in March, we have seen three consecutive months of economic growth, millions of people have moved off the furlough and back to work, and consumer spending is returning. But the resurgence of the virus threatens our recovery. And now it is clear we have to live with coronavirus for months to come, this means the economy cannot return to exactly as it looked in March and the economic rationale for the next phase of support must be different to that which came before.

So today, we are focussing on dealing with the problems businesses face right now – supporting viable jobs through a time of depressed demand.

Job Support Scheme

Now the economy is opening up, we should target support on those businesses that need it most: companies that have been impacted by coronavirus, and helping them to keep staff on reduced hours rather than laying them off, and to protect people's wages. Our aim is to protect viable jobs in businesses who are facing lower demand over the winter months due to coronavirus.

So we are launching a new employment scheme – the Job Support Scheme. The company will continue to pay its employee for time worked, but the burden of hours not worked will be shared equally between the employee, employer and government, a third each way. The Scheme is focused on viable jobs, so employees need to be working at least a 33% of the time, and this % will move up over time. The Scheme will open from 1 November, and run for six months until the end of April 2021.

All businesses, not just those who used the furlough scheme, will be eligible. Larger businesses (not SMEs) will only be eligible if their revenue has declined. Furthermore, there will be an expectation that large companies using the scheme will be constrained in their ability to make dividend payments or capital distributions to shareholders, and employees will not be able to be made redundant or given notice whilst on the scheme. Employers will also be able to use the Job Support Scheme as well as claim the Jobs Retention Bonus.

And to ensure parity between employees and self-employed, we will also provide a further grant for self-employed small businesses who used the existing SEISS scheme. Eligibility criteria will be refined to check whether the self-employed trader is still viable and trading and is suffering lower revenues as a result of coronavirus. The grant will match the average grant of the Job Support Scheme, and represent 20% of three month earnings, for November to January.

Greater support for business' cash flow

We have also acted to minimise the strains on companies' cashflows so they can focus their resources on supporting employment:

- **Greater flexibility for repaying loans through our new 'Pay As You Grow' scheme.** We recognise that many of the one million small businesses who have benefitted from our loan schemes have never borrowed finance before. That is why we want to give them greater flexibility to repay these loans over a longer period and in way which suits their circumstances. All borrowers will now have the option to repay their Bounce Back Loans over a longer time period by extending the term of BBLs to ten years – this will reduce their average monthly repayments by almost half. On an average £30,000 loan, this reduces the monthly payment from £532 to £309.

Businesses will also be able to move to interest-only repayments for periods of up to six months – or to pause repayments entirely for the same period. It will have no impact on a business's credit rating if they take up any of those options. And we will also allow CBILS lenders to extend their loans to ten years as well by extending our Government guarantee, providing more flexibility and support for businesses.

- **More time for businesses to access our range of loan schemes.** Over 1 million businesses across the United Kingdom have already benefitted from over £57 billion through our business loan schemes. But we are giving them even more access to support by extending the deadline for new applications until the end of November for the Coronavirus Business Interruption Loan Scheme, the Coronavirus Large Business Interruption Loan Scheme, and the Future Fund. Along with our Bounce Back Loans, this means all four loan schemes will now expire at the end of November. We will work with businesses and lenders to introduce a new loan guarantee scheme from January 2021.

- **Extending our temporary VAT cut for tourism and hospitality.** To continue supporting the 150,000 businesses and 2.4 million jobs in tourism and hospitality, we are extending the temporary 5 per cent rate of VAT until the

end of March 2021. When we announced this in July, this was originally due to end in January 2021, but we recognise that the tourism and hospitality sector has been severely affected by coronavirus.

- **Deferring repayments of VAT to support businesses during this period.** Over half a million businesses have already benefitted from being able to defer Q2 2020 VAT payments until March 2021 – worth over £30 billion to over half a million businesses. But we don't want businesses to face large bills for deferred VAT just as the economy is getting back on its feet – which is why we are launching a new scheme to allow businesses who want extra time to pay back the VAT they owe in smaller equal monthly payments, interest-free, until the end of March 2022. On average, this means turning a one-off £60,000 payment into 11 payments of less than £6,000.

- **More time for self-assessment businesses to pay back.** Around 1.5 million businesses who pay through income tax self-assessment benefitted from our Self-Assessment Tax Deferral, deferring an estimated £6 billion to be paid in July 2020 to the end of January 2021. But to help them further, we are upgrading our Time To Pay service so that all 11 million self-assessment taxpayers will be able to create a 12-month payment arrangement for up to £30,000 each, and extended under the end of January 2022 – that's an 18 month deferral.

These measures build on the enormous amount the government has already done to protect people's livelihoods and support businesses directly, through a package of loans, business grants, business rates relief and wage support already worth £190 billion. Our Plan for Jobs in July set out how we will go further to protect, support and create jobs as we get the UK economy back on its feet.

RT HON RISHI SUNAK MP