

Rescuing the health sector

The last figures for UK output and incomes from the ONS take us to end May. They revealed an 18.9% drop in service activity in the 3 months to end May. Unsurprisingly eating and drinking out and the motor trade led the falls, given the lock down impact. Less predictably the other two sectors the ONS singled out as the main drivers of the collapse were health and education, down 31.4% and 37.8% respectively. Many other private sector service areas had much smaller declines thanks to working from home, using remote technology and identifying key workers to keep the service going.

Getting health and education back to where they were should be a priority now. Ministers have said they want the full range of treatments to be available again on the NHS, and to see the backlog of delayed operations and treatments being tackled. So far the NHS has struggled to get back to anything like the capacity before the virus. It has also been unable to fill the private hospitals contracted to support it.

It is now policy to either have isolation hospitals for CV 19 or to have isolated and sealed parts of hospitals to contain CV 19 patients and those helping them. This should enable normal infection control procedures to resume for all the other work the NHS does. Some of the shortfall in work has been patients reluctant to attend medical centres and hospitals for fear of catching the virus when they already belong to an at risk group. The isolation strategy needs to reassure them.

Remote technology has allowed many private sector services to continue as before, substituting remote communication for the previous client and customer contact that was common. The NHS is learning to use this technology for primary care and for consultations with hospital doctors. Where treatment needs contact in a hospital between staff and patient then the hospitals have expertise in infection control and the staff must have access to high quality protective clothing and equipment.

The private sector is still willing to offer capacity to the NHS to help with the backlog. This coupled with the extra money many available for CV19, winter pressures and other issues should enable the health sector to recover more quickly.

It is important the government defends the proposition that choice is an important driver of innovation and Quality. Private hospitals can offer good service and extra capacity which the NHS buys into when it needs to.

Emergency assistance grants to local

Councils to help those in need

West Berkshire is receiving £103,352 and Wokingham £77,342 to make grants to people struggling with food bills and the cost of other essentials.

Payments under this scheme can be made to those already in receipt of normal social security payments, and getting help from the Covid Summer Food fund.

The government is determined no-one need go hungry, and leaves it to Councils to use their skills and knowledge of local deprivation to distribute money where needed.

Reviewing the extent of the state

Government activity has expanded massively as a result of the decision to lock down the country to combat the virus. It is time to roll back many of these areas to bring budgets back towards balance after a huge borrowing splurge.

9 million people are now effectively additional employees of the state thanks to the Furlough scheme. Most of their wages are paid by taxpayers with the express requirement that they must not work for their employers whilst being so paid. It is important as the government has indicated that rapid progress is now made with getting these people back into full time or part time working with their employer, to save the jobs and slash the costs to government.

The state has paid to control the workload and actions of the private health sector. During the height of the crisis there was an understandable surge in NHS spending, but there was also a drop in health output. Most private sector medicine stopped altogether, and most non urgent treatments stopped in the NHS. As a result health GDP fell. We need to get health output up to at least the levels it was at in January, and return to a system where private money as well as public comes in to cover the costs.

There are also an number of other areas where the state procured resources and capacity by contract to deal with the emergency, where it could now review those contracts, save some money and free capacity for others.

The state has taken upon itself paying to sustain the full level of costs of public transport when it was carrying three or four times as many people as it is today. There needs to be some thought of what demand for the next two or three years is likely to be and what level of fare revenue is likely. It would be unrealistic to carry on recruiting people to the railway for example when the forecast demand is going to be so much lower than last year. Current

loss levels are unsustainable for any length of time, and thought needs to be given to a pathway for winning back lost passengers.

[Back to work and beating the virus](#)

The government doesn't have a choice of either controlling the virus or promoting jobs and growth. It has to do both. So far anti virus policies have dominated, with ruinous effects on the travel, leisure and hospitality industries. The PM is now looking at options to avoid a new national lockdown to control the virus.

Policy has to centre on

1 More intense medical discussion and analysis drawing on worldwide experience of which drugs and treatments can cut the death rate of serious hospital cases.

2 Help with continued shielding of those most vulnerable to serious forms of the disease.

3. Good trace and test systems so more carriers can isolate.

To generate economic recovery we need further relaxation of general restrictions on economic activity. I pointed to the way green policy is damaging large industrial and energy sectors yesterday. Today I highlight the travel, leisure and hospitality sectors.

Some leisure and hospitality businesses think there is no point in opening at all under current regulations, and some are still banned from opening. Some have re opened but face turnover well down owing to the need for social distancing and new methods of working which raise costs. A minority have adapted their business model to new conditions and are trading well. Given current levels of demand and the nature of the government interruptions the majority are unlikely to be able to do this.

On the plus side for the U.K. industry are some of the quarantine restrictions and bans on foreign travel. The decision on Spain in particular gives the U.K. holiday industry a real boost as you would expect many more people to holiday in the U.K. These same regulations undermine foreign tourist serving businesses like Bicester Village and central London.

Talking to some of the affected businesses I encountered one which saw a market opening for top end take away prepared dinners delivered to time share accommodation and is doing well. I found a travel business that has a back up contract for the NHS who as a result has abandoned the traditional visitor travel they offered. I have seen several shuttered businesses, often with older owner managers who wish to avoid social contact with the public. I have

seen varied interpretations of the rules by hotels and restaurants prepared to run with lower occupancy and fewer covers.

Waves of destruction

It was Schumpeter who said capitalism was characterised by waves of creative destruction. The constant search for improvement throws out the old and welcomes the new.

In the last century out went the businesses shoeing horses, and supplying coaches and carts for the horse drawn age. In came the petrol car and van, and the garages and filling stations they needed. The transition happened rapidly, as people found the new vehicles more convenient, easier to keep and faster. Farriers and carriage makers had to retrain and change jobs. Mews properties were adapted to new use.

Today we have a new phenomenon. We have governments launching a huge wave of capital and job destruction. The Green revolution aims to remove the entire oil and gas industry, transform the electricity generation industry, and force change in the way we travel and power our homes and workplaces.

The extent of the planned closures and write offs is large . The mighty oil and gas companies of the last century have to plan the demise of their own main assets. The car companies have to close down all their diesel and petrol making capacity and replace it with very different production lines making very different vehicles, centred around the entirely new technology for them of a large floorplate battery. The home heating industry has to completely change its product range, weaning people off oil and gas boilers.

Governments who favour these changes argue that there will be lots of new green jobs. It is true it will take people to make electric cars and environmentally friendly heating systems. It requires new jobs to build windfarms and put in hydro power. The worry is the pace of this, and meanwhile how difficult will be the transition with massive job losses in the products and services the state wishes to close down.

At the moment there are many more people put off buying a new diesel or petrol car than there are people wanting to buy new electric vehicles. There are more people pausing over replacing their domestic heating system than there are people ripping out the old and spending on the new. The anti Covid Policy inspired recession adds to the dislocation and slashes spending power just when governments want people to buy new heating and transport.

Governments did not need to offer subsidy and incentives to get people to buy the motor car or the smartphone. People wanted them. industry improved designs, generated economies of scale and cut prices until more or most could afford the products. This top down revolution is different. Government has

demanded the electric car. It has to subsidise it and wait for industry to improve it so more people will willingly buy it. People want better performance on range, recharge times and battery life, and much lower prices.

People are happy with their gas boilers and will run them until they break down, unless the government forces them to change. One intervention in a market leads to another and another. The danger is this will all prove very expensive for the public purse and will entail substantial direction and intervention in people's lives to get it done. Too much government intervention will mean lower incomes and living standards as well as less freedom.