

# A new vision for housing

There is growing agreement amongst politicians and their advisers that housing is a central part of the new political battleground. Years of inviting in large numbers of people to live and work in our country against a background of building too few new homes for them and for the natural growth of the settled population has left us short of decent homes at affordable rents or prices.

Some years ago there was a strong establishment view that the UK needed to be more like the rest of the EU with a larger private rented sector. This duly came about as a new generation of private landlords rushed to purchase Buy to Let properties. Frustrated by taxation of other savings and the restless changes made to the taxation of pension plans, many thought owning a Buy to let or two would make provision for their retirement years and represent a good store of value. The establishment visionaries seemed to think younger people would benefit from renting rather than buying, though most of them making this recommendation were safely housed in a property they had bought at much lower prices when they were young. They argued that renting was more flexible, and kept the young person free of mortgage debt.

I disagreed at the time with the view that renting was superior to buying. I pointed out renting is bound to be dearer over a lifetime than buying and owning. The longer you delay buying a property, the more rent you pay. You usually end up having to pay much more for the home you do eventually purchase. Rental agreements are not that much more flexible than buying if you sign a commitment to a longish fixed period of paying the rent. Finding a suitable rented property is not intrinsically easier than choosing a place to buy.

The Conservative party needs to commit itself anew to creating a new generation of home owners. Polling shows many people who rent would like to be able to buy their own home. The problem is they do not think they can afford to do so, owing to the high transaction costs, the need to find a large deposit, and the availability of mortgage credit. In contrast there are few people who own who would rather rent, and of course there is nothing stopping someone who owns from switching to rent if they did wish to do so.

The government can and should do more to lower the transaction costs of buying and selling properties. Lifting more people out of Stamp Duty altogether, or cutting the lower rates would help. To make the market work better the government also needs to see how Stamp Duty and CGT are impeding sales of BTL homes and larger properties owned by people who might otherwise downsize. The older generation include people who have more property than they want, reluctant to sell owing to the tax costs in doing so and buying something smaller. The younger generation includes many people who would like to buy the family homes but cannot afford to.

Getting house prices more in line with wages needs to occur at a sensible

pace. Controlling the numbers of people coming to live here each year would help by cutting demand. Encouraging more building, as the government is doing, will assist by expanding supply. The Chancellor committed himself to helping get real wages up, which also will assist. The Bank of England and the commercial banks can also help by recognising that most young people will be good risks to lend to to buy a home, just as their parents did before them.

I look forward to more positive announcements from the government on how it will transform more dreams of ownership into reality,

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## Controlling noise at Heathrow

At Party Conference in Manchester I had a meeting with the Chief Executive of Heathrow to get up to date on tackling noise nuisance from the airport.

They have now launched their Fly quieter, Fly cleaner programme and publish how different airlines are doing. This is a way to spread better practice and to get airlines with noisy planes to see how they can improve. Actions include avoiding abrupt turns or changes of level, not deploying the undercarriage too early, and staying higher for longer.

They are encouraging faster climb for the noisy Airbus A 380 planes, to reduce noise contours in our area.

They are seeking fewer night flights.

They will soon announce a consultation on the Compton Gate route arrangements. It was changes to this without proper consultation which triggered additional noise for residents of the Wokingham constituency. I will keep people posted, as we need to respond to this document when it issues.

Heathrow is accepting more responsibility in a system where blame can be shunted between airport, airlines, regulators and government.

I will continue to press for more work to cut noise by better flying, limited hours, sensible routes, and getting planes higher sooner and keeping them higher for longer on descent.

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# No cliff edge

I have now read through all the submissions about what we need to prepare to have a smooth Brexit with No Deal.

Most of the worries are ones which have been argued over and discussed endlessly. In many cases I dealt with these worries on this blog before the referendum. Most are general in nature.

I will summarise my response to these old issues below:

What will happen about passported products in financial services?

The most common is the UCIT Investment fund. As these are all registered companies in countries that will remain EU members there is no problem. The UK will retain the contracts to help manage them, whilst the funds will continue to be available throughout the EU. The UK will be happy to allow UK nationals to continue to buy and hold these funds. Other passported products resident in the UK will be able to continue under the doctrine of regulatory equivalence.

What happens about the future of the City if there is No Deal?

We will be able to trade as do other non EU members, using the doctrine of equivalence and world trade rules.

Will derivative contracts still work?

They should. The market has plenty of advance warning of our departure on 29 March 2019. Markets adjusted easily and rapidly to the abolition of the DM and the introduction of the Euro in 2000 which was a bigger set of changes. As the markets start to offer contracts that go beyond exit date they will reflect this in the contract small print.

Will there be more red tape to export?

No Deal will entail customs filings for tariff based goods for No Deal. This can be an additional line in an electronic filing. Importers and exporters already need paperwork or electronic files to handle product specs, safety and a wide range of compliance matters, which can remain the same.

How can there be a smooth Irish border?

The UK government has issued a paper on this setting out how. If the EU does not like the UK proposal it needs to make a counter proposal, as its member state the Republic of Ireland is keen on a smooth border continuing, as is the UK.

Will universities suffer?

No. The government has made clear there will be plenty of visas for students

and faculty members coming from the eu as there are today for non EU. E U funding will be replaced by UK money. The UK may negotiate to continue to contribute to and belong to various European schemes.

Will we reassert our territorial limits and set out a UK fishing policy

That is the current plan

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## Commiserations to Catalonia

Today I am proud to be British and to be leaving the EU. When the UK state and government saw there was considerable pressure for Scottish independence it organised a legal referendum and let the people decide democratically. As someone who wanted Scotland to stay in I always recognised their right to self determination. If they had decided to go I would have wished them well and urged Parliament to a quick settlement.

The lack of reaction by the EU to the dreadful scenes in Catalonia shows their lack of understanding of democracy. The Spanish state is right to say democrats need to accept the rule of law. They are wrong to deny Catalans a vote and voice when they think the constitutional settlement behind that rule of law is wrong. The irony is that polls suggest the Spanish state had a good chance of winning a referendum for the status quo if it had held one in good time with a good grace. Now a legal referendum is more needed, and less easy for the Spanish state to win. Democracy about the ruke of law, but it is also about responding to the mood of voters. Leaders of countries need to retain consent to the system for making decisions.

I thought the EU wanted to promote democracy. It has wanted to promote regional identity and encouraged the regions against nations. It has sent regions money over the heads of the states. It is now reaping a bitter harvest. Lets get on with rebuilding our own democracy by taking back control

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## Lower taxes are popular

Many politicians think the way to win elections is to offer more and more public service and public spending. They seek to build a coalition of people who will benefit from the enlarged and new programmes they offer. If you look, however, at winning campaigns it is often the tax cut that proves more popular. More people want to take responsibility for their own lives, and wish to look after themselves and their families out of their own incomes.

The Conservative governments of the 1980s drove income tax rates down and abolished whole taxes in successive budgets. This was one of the main props to their election winning run.

Labour discovered this in the 1990s, and won office in 1997 on the firm pledge to keep the lower tax rates that the Conservatives had introduced. They kept their word on Income tax rates until the financial crash. They put the rates up at the end which went alongside the other problems they had created to lead to their defeat.

George Osborne promised a tax cut prior to the 2010 election, which proved popular. In office the Coalition was only able to agree on cutting the Income Tax threshold. This was sufficiently popular for both coalition parties to want to claim credit for it.

In the 2017 election Mr Corbyn seemed to offer to repay all the debts of former students who took out student loans. This appeared to be an offer of a £40,000-£50,000 gift for some people. It proved very popular and drove a surge in the younger vote for Labour. We subsequently learned from Mr Corbyn that he did not mean to offer to repay all these debts, though he only clarified this after the vote.

Mr Hammond began the 2017 election by appearing to hint that higher taxes might be needed. The rest of the Conservative leadership had to deny this. Fears of tax hits to the self employed damaged Conservative popularity though these plans were rightly dropped. These followed the tax attacks on Buy to Let Investment and on home ownership through higher Stamp Duties which were also unpopular.

One of the main reasons Mr Trump did well in the US election was the promise of major tax cuts for individuals and businesses.

I look forward to Conservatives offering and delivering tax cuts in the future. The sooner the we stop sending large sums to the EU the better, as that will increase our budget flexibility on both spending and taxation. In the meantime we should be cutting the tax rates where to do so will increase the revenue.