

My Business Question to the Leader of the House

John Redwood (Wokingham) (Con):

It would be better to get inflation down by expanding supply, rather than hitting mortgage holders again to get them to spend less. Can we have an urgent statement, before the summer recess, from the Government on measures to expand our domestic output of food, oil and gas, and industrial products with suitable incentives and facilitations?

Penny Mordaunt, Leader of the House:

I thank my right hon. Friend for that very helpful suggestion. He will know that, as Treasury questions are not until after the summer recess, he will have no opportunity to raise it there, so I will make sure that the Chancellor has heard his suggestion. I know that that will be welcomed by many Members across the House.

HS2

I voted against the HS2 project when Parliament made the decision in principle to go ahead. I have always thought it a bad investment. I proposed alternative ways to increase rail capacity for a fraction of the cost with much speedier results.

I am told they are going ahead with one of those ideas. Improved digital on board signalling means a train can see what lies ahead and be warned of blocked lines in real time. Central controllers could slow or stop trains approaching danger if the driver has missed it. It would be safe to run at least 25% more trains on a given line with smaller gaps between trains. As they are all going in the same direction on most tracks and if they see what lies ahead and what speed it is doing we can run more trains. We run far more vehicles with very little separation on busy roads just based on driver eyesight and judgement.

They could also do more to provide many more short sections of bypass track. Non stop express trains need to be able to overtake slow frequent stopper services when timetables get stressed. Again digital signals and intelligence on track positions would facilitate this.

The collapse of five day a week commuting post covid has undermined whatever business case there was for HS 2 . Much rail travel going forwards is going to be leisure and pleasure travel where high speed is less necessary and high cost cannot be repaid by premium business tickets. The government should

reconsider the very expensive much delayed Euston and inner London part of the project. Spending a fortune on rail in London was always bizarre for a levelling up project to help the north.

Perhaps given the huge delays in construction and planning this should no longer be called High Speed 2. It is taking years of delay for the first train. HC 2 , High Cost 2, would be a more accurate description.

Getting inflation down and growth up

The inflation was brought on as a result of excessive money creation, bond buying and ultra low rates. It was compounded by shortages of energy, food and other basics. The inflation will now come down as money and credit are much tighter. Inflation is however proving obstinate because there remain some difficult supply shortages, price controls have delayed energy falls in the UK and public sector productivity has fallen a lot leading to too high a level of public spending.

The Bank's policy is to squeeze demand by raising the price of borrowings. This will put off investment, cutting demand for investment goods and construction. The main impact is on mortgages, narrowly targeting the worst hits on the 2 million or so who will need to renew their mortgage loans before the election, and on potential first time buyers who will be excluded from the market. It will take time to hit overall demand as the hit to incomes only occurs at the maturity date of the old lower rate mortgage. Meanwhile the millions of savers with money on deposit will enjoy an increase in income facilitating more demand from them. The Bank is hitting mortgages especially hard by selling £80bn of bonds a year, given the way the price and rate on the bonds of the right maturity is directly relevant to fixing commercial mortgage rates.

To get inflation down the government needs to undertake a series of supply side boosting measures. The UK can extract more of its own oil and gas with a big boost to its revenues and reduction in the balance of trade deficit. Grants to farmers not to farm should be replaced with grants and loans to encourage a big increase in domestic outputs, especially of fruit and vegetables where we have lost a lot of market share this century.

Reform of IR 35 allowing more people to work for themselves and to attract contracts from companies could lead to a reversal of the big decline in self employment and greatly add to capacity and flexibility in a range of markets. Raising the VAT threshold from £85,000 to £250,000 would lead to a same year boost to output by many small companies that decline business or have a

temporary shut down to avoid going through the threshold.

These two tax measures will be costed as losing revenue, which is debatable. To cover estimated Treasury costs of say £4bn the government could rephase and reduce the £20bn carbon expenditures, suspend the free smart meter programme to save £1bn a year and transfer more of the costs of housing new migrant arrivals to the Overseas Aid budget.

There are many other ways of creating some fiscal space. It would be good to immediately cut inflation by temporarily taking VAT off vehicle and domestic heating fuels. There will be savings on the interest rate programme for a lower inflation rate, given the way the Treasury accounts for the non cash item of indexation costs on Index linked gilts. The government should press on with asset and property sales to release cash and lower spending.

Expanding supply with selective tax cuts paid for by spending controls is the best way to cut inflation whilst allowing some growth. Growth is the best way to get the deficit down.

[My interview with Talk Tv on immigration](#)

Please find my interview below between 1:08:00-1:20:00 where we discussed immigration

[The future of hydrogen](#)

There are many people heating their homes with gas who hope that the gas suppliers will develop hydrogen to replace natural gas, or to dilute it sufficiently in their networks to satisfy those who wish to drive to net zero. People are told modern gas boilers will take hydrogen with or without some modification, and will be cheaper and easier than a heat pump. Some hope that direct drive nitrogen vehicles as developed at the big end by JCB will be available instead of electric vehicles. Toyota has developed hydrogen cars.

There is considerable interest in the idea that hydrogen could help solve the problem of interruptible wind energy. When the wind is blowing well green hydrogen could be made and stored, to be used on windless days when we are short of electrical power. It could even be burned in generating stations. Various governments as a result of these developments are spending taxpayer cash on experiments and trials in the hope that they could push these matters forward.

Meanwhile there are customers who do not want to end their use of traditional gas boilers and petrol cars on the grounds that they are affordable and work well. There are rather fewer consumers who buy fully into the green revolution and wish to buy a heat pump and an electrical car. There are many others willing to be persuaded that a hydrogen or electric answer to their heating and transport problems will work well, but think improvements need to be made before they will be ready to buy one.

The governments that are driving the transition have to accept they are falling behind in getting in the capacity it needs to change the way most people travel and heat their residences. Grids and power stations cannot meet the potential demand if a serious number of people decide to shift. One of the reasons they are finding it difficult to get in the capacity is the doubts and options over which is the best system or combination of systems to displace petrol for cars and gas for homes. It will take a huge infrastructure of gas production, storage and pipes if we go for hydrogen, and a huge grid and cable expansion if we go all electric. Lots of countries are carrying out limited scale experiments, some overlapping with others. No country has yet come out wanting a hydrogen solution to the main demands. Several countries have backed wind and solar energy but still have not cracked how to store and spread the power from hot and windy days to nights and windless hours.

Do you have any advice for those who are designing away to find a road to net zero? What role is there for hydrogen, and how can renewable power be stored? Who should pay the costs of experimentation and investment in the roll out of any of the answers?