

My interventions in the North Ireland Protocol Committee (Day 2) debate

Rt Hon Sir John Redwood MP (Wokingham) (Con): Will the Financial Secretary confirm that the Treasury will never use the argument that we must not press ahead with the very necessary VAT cut on energy in the cost of living crisis because we cannot apply it in Northern Ireland? It could damage GB as well as NI if that argument were used. Will she promise that the Government will energetically pursue complete sovereignty over VAT?

Lucy Frazer, Financial Secretary to the Treasury: After this legislation has passed, we will be able to introduce VAT legislation across the UK in the interests of both GB and Northern Ireland. I can assure my right hon. Friend that the Treasury consistently looks at tax policies, including VAT, and the benefits and disbenefits of bringing in changes.

I turn now to amendments 37 and 41 in the name of Mr Lammy. I should note that this issue was addressed in a previous debate, so, in the interests of time, I shall aim to be brief. The amendments would restrict the use of the Bill's powers to only make provision that is "necessary" rather than to make provision that the Minister considers is "appropriate".

As my right hon. and learned Friend the Minister for the Cabinet Office and I have said previously, "necessary" is a very strict legal test. The amendments would therefore remove the policy discretion for the exercise of these powers, potentially limiting Ministers' choice of the right solutions to the problems caused by the protocol. Changing the test to an objective one will provide additional uncertainty to businesses and consumers and it would severely limit the ability to facilitate consistent VAT, excise and other relevant tax policies between Northern Ireland and Great Britain, as well as a domestic subsidy control regime that applies to the whole of the UK.

I want to comment on how that was expressed by the hon. Member for Hove, who suggested that Ministers could make changes on a whim. That is simply not the case and is a misrepresentation of the position that is clearly set out in the legislation. Clause 12(3) clearly states:

"A Minister of the Crown may, by regulations, make any provision which the Minister considers appropriate in connection with any provision".

Therefore, he or she would need to consider those matters very carefully, as Ministers from across the House would do. The amendments might also prohibit the Government from responding in a flexible way to issues facing Northern Ireland. That, in turn, will have a negative impact on Northern Irish businesses and individuals, so I ask the hon. Gentleman to withdraw his amendment.

Many hon. Members discussed the negotiations, and I hope that I have answered those points in my response to the intervention from Stephen Farry, The hon.

Member for Hove talked about the single electricity market. The right thing to do is not to impact the single electricity market. As the Foreign Secretary has said, we want to cement the provisions in the protocol that are working, including the single electricity market. That is why this Bill does not seek to exclude article 9 or annex 4, which maintain the single electricity market. The Government are committed to preserving it and the benefits that it provides to UK citizens in Northern Ireland.

For those reasons, taken together, these clauses will ensure that the Government can set UK-wide policies on subsidy control and VAT, ensuring that those in Northern Ireland can benefit from the same level of support as those in the rest of the United Kingdom.

My contribution in the Northern Ireland Protocol Committee (Day 2) debate

Rt Hon Sir John Redwood MP (Wokingham) (Con): I welcome the notion of measures that restore our control over VAT and subsidies in Northern Ireland. It is entirely within the spirit and the text of the protocol, which says that both parties will respect the internal market of the United Kingdom. How can we have a proper functioning internal market if we have to have rates of VAT in Northern Ireland that are different from the rest of our internal market? And how can we claim that our country's sovereignty is respected by this part of the agreement, as the EU originally said it would be, if we are not sovereign to change VAT in an important part of the United Kingdom? It is right that we legislate on this issue, because we took back control and we wish to restore the sovereignty of this Parliament. How can we say that we have a sovereign Parliament properly restored if our Chancellor of the Exchequer cannot change VAT in part of the UK? It is right and it is legal that we legislate within the terms of the protocol and the agreement, and it is essential that we do so. Those who favour a negotiated solution with the EU should recognise that a huge amount of time and talent has been put into negotiating with the EU in recent years on these matters, and it has been unwilling to be reasonable or to respect the spirit and even the letter of the protocol itself. It is time to legislate.

I say to those who favour a negotiated solution and still have this idea that the EU will, in due course, negotiate properly over one that it is far more likely to negotiate in a more sympathetic and realistic spirit if it knows that we have the firm backstop of clear legislation, which means we will do the right thing by Northern Ireland and the whole UK if the EU cannot be bothered to meet us and understand what it means for the communities in Northern Ireland.

The EU should also take on board the good advice from the Democratic Unionist party and other members of the Unionist community in Northern Ireland. The whole fabric of the Good Friday agreement rests upon the consent of both communities. The EU says it fully signs up to that and sees it as of prior importance to the protocol, so the EU has to understand that there is no cross-community consent for the current position. The sooner we legislate to sort that out, the better.

Some funny numbers from the Treasury and OBR

The OBR has had to explain why it was so far out in its forecasts of the deficit and borrowings last year. They have written:

“Our latest forecast for (Central government borrowing) 2021-2 is £48.3bn below the October forecast and £131.2bn below our March 2021 forecast (the Budget)” They accept they underestimate tax revenues by a massive £77bn and overstated state spending by £48.7bn. It should be easier to forecast what you spend when you are running the spending controls.

We can all make mistakes. Forecasting is difficult. What is more difficult to forgive is that this was not the first time they have underestimated the revenues and overstated the deficit. Worse still is they used their precise forecasts of revenue and deficit to tell the Chancellor he needed to raise more taxes to reduce the gap between spending and taxing. It turns out they need not have asked him to do that as the numbers were so much better than the numbers they tried to create with tax rises. So when I am asked how do we pay for the tax cuts, the first answer is we are so far ahead of plan there is no problem. The second answer is if you cut the right tax rates to a sensible amount you can end up with more growth and more revenue, not less.

The Treasury also needs to come clean about the debt interest. They have been using their current high figure of £83bn which includes index costs on the repayment of inflation linked debt which does not entail making any cash payments before redemption. They use this figure to scare politicians into accepting more austerity to control the debt interest. What they omit to point out is on their definition of debt interest they forecast a collapse in the cost of it to £46.7bn by 2024-5. That is a fall of £36.3bn or 44% in debt interest.

The Treasury has a tradition of overstating deficits when there is good growth and understating them in recession. There is also a danger their policy advice based on very wrong forecasts could drive us unnecessarily into recession.

Then there were two

I am delighted Liz Truss will be in the final with Rishi Sunak. I want a change of economic policy as readers of this site will know. Liz Truss will give us that change. Rishi has accepted Treasury and Bank advice which has given us a high inflation and if unaltered will give us a recession next year. We can do better.

Soaring spending and borrowing since 1991

I was sent this recently. I have not checked all the figures but thought it worth reproducing:

According to the ONS, in 1991, public sector employment was 5.985 million.

Now it is 5.76 million.

There has been plenty of outsourcing and contracting out over this period.

In 1991, public spending was 180 billion pounds. (central government)

This year it is projected to be 1062 billion pounds.

That is nearly six times as much.

This dwarfs inflation.

In 1991, GDP was 705 billion pounds.

It is now 2400 billion pounds or three times as much.

However the increase in GDP is dwarfed by the increase in government spending. Indeed, half of the increase is debt funded government expenditure.

In 1991, government debt was 154 billion pounds. Now it is 2200 billion pounds. 14 times more.

In 1991, spending on health was 27.5 billion pounds.

Now it is 210 billion pounds. This is EIGHT times more.

The population has increased by 10 million in that time or 20%. Mostly

immigration. Half of it since 2010.

Average house prices have quadrupled.

There has been substantial inflation over those 30 years, just not in the basket of items in CPI or RPI.

Comment

The general trends outlined here are right. Real public spending has climbed substantially. This has often not resulted in productivity or quality gains. There has been substantial inflation and large flows of migrants. Government debt has soared.

The last decade since 2007 has seen a poor productivity performance, the closure of too many industrial activities and too great a growing dependence on imports.