

Fiscal squeeze continues in UK

Tax revenues were up by a massive 9.7% in January, creating a record surplus in a month where the government usually collects more money than it spends. Public borrowing is running 46% lower than last year and is on target to hit the Chancellor's wish to cut it sharply.

Stamp Duty revenues are down for the year so far and down in January, reflecting the continuing impact of higher rates. The government should cut the rates to help the market and would then collect more cash from this source.

Income tax revenue was particularly strong.

The government is squeezing the economy too much and could do with some cuts in tax rates to promote growth. The right tax cuts would also boost revenue. Property taxes including business rates are particularly damaging at a time when we need to see more redevelopment and change of use as the digital revolution sweeps through our High Streets and industrial parks.

State debt as a percentage of GDP is falling, and now stands at 62% after deducting the debt the Bank of England has bought up

The Independent Group and anti semitism

Yesterday we had a moving and important debate in the House about the rise of anti-Semitism in the UK. Most of us agreed that it is a nasty racism which no-one in a decent democracy should have to confront. James Brokenshire made a powerful speech for the government setting out how we must all take action to prevent it. The Labour spokesman Barry Gardiner apologised to the Jewish community on behalf of the Labour party and confessed that there has been a strand of virulent anti-Semitism within Labour that they need to control. He spoke with passion and feeling.

The new Independent grouping of Labour MPs were well represented. They gave good support to Luciana Berger who catalogued the abuse she has faced from Labour party members and social media for her Jewish ancestry. Another group of active Labour MPs sitting on the two back benches behind their Shadow Spokesman also delivered powerful asides and interventions, demanding that their party did more than just offer an apology but tackled the backlog of cases that have been referred to the National Executive alleging anti-Semitism. They showed considerable sympathy for their former colleagues and expressed similar feelings. They were keen to see the expulsion of Derek

Hatton, recently admitted to the Labour party again.

Into this emotional rift came the resignations of three Conservative MPs from the Conservative party. They too wish to be seen as independent, though it is not clear they are the same kind of independent as the Labour group. Their reasons seemed somewhat different to the Labour explanations given the day before. They have yet to articulate exactly what they want to stand for, or why they have moved away from the 2017 Conservative Manifesto with its clear pledge to leave the EU and its customs union and single market in order to fulfil the mandate of the EU referendum. They say in general terms they object to the very Brexit which helped get the Conservatives elected, and that they think the modernising agenda has been overthrown. They also dislike austerity, which ironically came from the modernisers David Cameron and George Osborne that they professed to like.

The Labour independents have said they are not forming a new party and will not be contesting elections. The polling assuming they would shows them capturing just 14% of the vote, mainly at the expense of Labour who go down to 28%, and squeezing the Liberal Democrats down to 7%. The sense from yesterday is the main reason they have split from Labour is one of attitude and tone from the leadership. They dislike Mr Corbyn and dislike the intolerance they find in the party. Others might follow them judging by the reactions of some other Labour MPs during the debate.

The Conservative party will come together again as soon as we are out of the EU. It has been the delay in our exit for 2 years 9 months that has allowed the argument about how and when to fester. The Labour party has deeper seated disagreements within it which pose a problem for the leadership. At Prime Minister's Question time neither leader wanted to mention the difficult topic of defections.

[Development in the Wokingham Council area](#)

The Council is in the early stages of considering the next local Plan and where development might go. I have suggested that we make a case for a slower pace of new housing development in the next plan period given the large amount of housing and its impact on our area currently underway.

The issue of Grazeley and a possible large settlement there is under discussion. I have said that this should only be considered if it was instead of development elsewhere in the Borough, as we would not wish to commit to a large new settlement and have substantial sites elsewhere as well. I have also said there must be an up front considerable investment in infrastructure not just for any new development but also to tackle the knock on effects on transport, health and schools in the wider area affected. I am not myself

committed to any given location for development for the new plan.

I would be interested to hear your views.

[Honda loses out in Europe and worries about the change to electric cars](#)

Honda's market share has fallen a long way in recent years in Europe. From selling 311,000 cars at the peak in 2007, last year it sold just 136,000.

The Swindon plant is only running one of the two lines, and at under 150,000 cars a year it is a small plant by world standards. Honda Europe is one of the casualties of the top down electrification policy pursued by the EU and UK governments. As Honda explained :

"This is not a Brexit related issue for us. This decision has been made on the basis of global issues. We have to move very swiftly to electrification of vehicles, because of demand of our customers and legislation".

Honda wishes to concentrate its investments in large plants making modern vehicles that meet changing legislation in the places where they sell most cars. That is Asia and the USA, not Europe, where their market share is now small. This is one example of the massive change being forced on the industry by governments with their requirement to sell many more electric vehicles. It is interesting that Honda mentioned legislation as an important factor, underlining that this abrupt change in the profile of cars to be sold results from a top down instruction from legislators as well as from some customers having a genuine preference for electric vehicles.

It follows hard on the heels of Nissan's decision to make one of its diesel cars only in Japan without adding a UK line , given the big drop off in demand following adverse legislation and threats of more to come from government. Nissan does have decent overall volumes in the UK and is committed to further investment in its UK business.

I forecast particular difficulties for the UK car industry in 2017 when the Bank of England adopted a tough stance on car loans, and the government launched a tax attack on new vehicles whilst pursuing an anti diesel policy. This was particularly damaging to the UK based car industry which had built centres of excellence for clean diesel engine technology here in the UK with government encouragement. Investment in car production is a long term business. The big switch in UK government attitudes to diesels will have a price that goes beyond its obvious impact on the large section of our car industry that makes diesel cars. Companies want consistent support for the industry and a predictable legislative and tax background, whether they are making diesel or petrol vehicles.

I trust the government will explore alternative uses for the Honda factory and work for the workforce. It could get a contractor that supplies vehicles to the state and or does deep maintenance on public sector vehicles to undertake it there, for example.

[My letter to the Minister regarding the proposed move of Wokingham Post Office to commercial premises](#)



John Redwood won a free place at Kent College, Canterbury, He graduated from Magdalen College Oxford, has a DPhil and is a fellow of All Souls College. A businessman by background, he has been a director of NM Rothschild merchant bank and chairman of a quoted industrial PLC.

- [Read more about John Redwood](#)