

## The Commons tries to undermine the government's negotiating position

Yesterday was another Groundhog day when we are asked once again to debate the customs union. Twice we have had major debates and decisive votes on this issue, and twice the Commons has voted to leave the Customs Union when we leave the EU. One was on an amendment to the Queen's Speech, and one was on an amendment to the EU Withdrawal Bill. That's as well, as the EU is not offering us free membership of the Customs Union when we leave anyway!

Yesterday the Conservative party did not vote on the motion. The motion was not to embed this approach in law, so the government decided it was not binding. Another possible binding vote on this issue will be held again if Labour wishes to change its former position in the Commons when the EU Withdrawal Bill returns from the Lords, if the Lords have passed an amendment to that bill which Labour now likes. Labour abstained on the two important votes held so far on the two rebel Labour proposals to stay in the customs union.

The problem with all these motions and amendments to draft legislation, binding or not, is they are requiring something which is not in the gift or control of the UK government. Were the government to give in and accept we should belong to the Customs Union after leaving, or want a customs union look alike on departure, that would require an offer and consent from the EU. I do not think the EU would give us such membership without also demanding we accept freedom of movement, budget contributions and obedience to many of their laws, as if we were still in the EU.

I have often made the case why many of us prefer not to be in a customs union anyway. I think we will be better off out. Yesterday there was a tired old rehash of the Remain arguments from before the vote. Most of those contributing have clearly never run a complex supply chain in their lives and have no idea how modern business works. Their speeches were peppered with words like "paperwork" and "form filling", conjuring images of queues of lorries at borders as staff tried to work out what the lorry had on board, how much customs dues it should pay and how each product conformed or not with rules of origin. There was no talk of electronic manifests, filing in advance, electronic debits for customs dues as for VAT and Excise at the moment, no mention of Authorized Economic operators with rapid transit at borders, no mention of TIR and all the other ways that have already been developed to ensure the free flow of goods. In modern complex industrial supply chains each item is recorded in detail so its past can be traced, and this is recorded on electronic manifests which can be made available to the authorities to settle any issues and money owing without needing to do that at a border post. There is today complete electronic visibility of goods in transit by all Authorized Economic operators. Nor in the debate was there any acknowledgement let alone understanding of the WTO's wide ranging Trade Facilitation Agreement which binds both us and the EU, nor of how the rules of origin are currently policed without border hitches.

There was a concerted effort to try once again to undermine the UK's negotiating position. Sending a loud hint that the government might be forced to change its mind on customs union membership was obviously designed to weaken the UK's position and give the EU more reason to delay serious talks in the mistaken belief that the UK position on that matter might alter. There is clearly no point in negotiating a free trade agreement between the EU and the UK if the UK is going to stay in the customs union after all. Instead we would just face dictation of terms, as an EU that could not believe its luck would set about recreating all features of our membership of the EU as the price for such a concession, rightly claiming that you cannot be in a customs union unless you go along with much of the rest of their project.

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## Treasury policies slow the UK economy as planned

At a time when most of the world is following expansionary policies, the UK has gone cautious. Where the USA is cutting taxes and increasing spending, the UK has been putting through targeted tax rises on cars and homes. Where the Euro area keeps interest rates at zero and carries on printing extra money, the UK is reining in credit, putting up rates and tightening money.

The main policies which have worked to slow the economy include

1. Tax increases on Buy to let properties, and higher Stamp duties on second homes and expensive properties
2. Increased VED on higher priced new cars, and threats of more anti diesel action to come
3. Increase in interest rates
4. Removal of lending facilities for commercial banks
5. Warnings about car loans and consumer credit

Two sectors have been specifically targeted. The first is the car industry. Higher Vehicle Excise Duties, anti diesel messages and a reduction of car loans has led to a decline of 37% in the sale of new diesel cars for the year to March 2018 compared to the year to March 2017. Note this has nothing to do with Brexit, as car sales were rising for the first nine months after the decision to leave. Overall new car registrations rose 8.4% in the year to March 2017, and fell 15.7% in the following year. This has led directly to lay offs in auto plants.

The second is housing. The higher Stamp duties introduced in April 2016 for expensive homes and all second homes/BTL properties led to a 14% fall in the number of residential property transactions in 2016-17 compared to previous year. The fall was especially sharp before the referendum. The decision to phase out mortgage interest relief for higher rate payers by 2020 has made investing in BTL much less attractive. There has been a general substantial

fall in BTL investing.

This is an interesting change of policy by the Treasury, given their statement in 2010

“The Private Rented Sector plays a critical role within the housing system, helping to meet growing demand and providing a flexible tenure choice...it is important the sector continues to grow”.

Given the work that went into attracting more auto investment here, and the encouragement to the BTL market, it might be time to review the need for further slowing.

(PS I own no BTL property and do not buy a car dear enough to attract the high VED)

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## [All Souls College Oxford lecture at 11 a.m. in Old Library on Friday 27th April](#)

I will be giving a lecture on public services and the use of the private sector. Please let me know if you would like to attend.

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## [Government promises increase in per pupil funding](#)

In today's debate on money for schools the Secretary of State promised minimum per pupil amounts for every school under his new formula. I pointed out that this year some schools in Wokingham are still below the minimum thresholds he is proposing, and urged him to speed up the adjustment of cash for them.

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## School money

I had a meeting with the Schools Minister this week in the House of Commons to push again for more money for Wokingham and West Berkshire schools. I also asked for explanations of some individual schools budgets now that I have the actual figures that Wokingham Borough are sending to the schools, as well as the indicative budget figures which the government had provided. The Minister has promised to get back to me over the detailed queries, so I will keep you posted.