Carillion – what should employees and suppliers do now?

Anyone working for Carillion or for one its suppliers or contractors should go to the PWC website, as they are now in charge as the special managers to the Liquidation.

Their website makes clear that employees should turn up to work as usual and will be paid from the introduction of the Liquidation. Suppliers should carry on under their existing contracts, and they will paid for goods and services delivered to the company in liquidation. They will be contacted in due course once the Liquidator has reviewed their contracts. The website gives the contacts if people need to clarify these statements or wish to have reassurance about the financial position from here. There are some stories in the media that the position for suppliers and sub contractors may be more difficult than this implies.

The website says to employees: "Notwithstanding the liquidation the company will continue your employment on the same terms and conditions as before. You should continue to attend for work and you will continue to be paid as normal."

It says to suppliers and sub contractors "Unless otherwise advised, all agents, sub contractors and suppliers should continue to work and provide goods and services as normal, under their existing contracts, terms and conditions. You will get paid for goods and services you supply from 15 January 2018".

So please check with the Liquidator via the Special Managers on www.pwc.co.uk/carillion

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Inflation is falling

Yesterday's announcement that inflation on the government's preferred measure, CPIH, has fallen to 2.7% was welcome confirmation that inflation is falling again. The annual rate fell despite the boost to inflation from higher home energy costs, higher prices for petrol and diesel, Council tax rises and higher taxes on alcoholic drinks from the Autumn budget. Dearer electricity featured as an upwards pressure, which is the result of the big switch away from cheaper carbon based generation.

The feared big surge in inflation from weak sterling has not taken place as some predicted. Just as lower sterling in 2016 did not do much to boost shop prices, so it appears higher sterling against the dollar and yen is not doing much the other way either. Shop prices have remained under competitive pressures, with strong internet rivals keeping many prices keen. That same internet also helps retailers source better value product from around the world to keep their prices down. Core inflation is at 2.5%.

There is no need for the Bank to worry about the current inflation rate. It is true there is a bit more energy price inflation to come through with oil now trading at $70 a barrel for Brent crude. There may be further Council tax rises to come as Councils seek more money for a variety of spending programmes. There is no sign of a general wage/price spiral about to break out in the way that was common in the last century.

Once again the extreme forecasts of a big surge in inflation based on a weaker pound have not come true, just as industrial output and the general growth of the economy has surprised the Treasury and other forecasters on the upside. The government itself would like a bit more wage inflation, and has sought to get wages up at the lower levels with its Living Wage policy.

Tackling Plastic Waste and Protecting Our Environment

David Attenborough's Blue Planet II has done much to focus public attention on the estimated1 million birds, and 100,000 other sea mammals and turtles which die every year from eating and getting tangled in plastic waste.

In the UK alone, during its recent Great British Beach Clean Up, the Marine Conservation Society found 718 pieces of litter for every 100 metre stretch of beach surveyed, and of this rubbish from food and drink made up at least one fifth.

The Government's 25 Year Environment Plan addresses this most pressing problem. The measures include extending the 5p carrier bag charge to all retailers, working with supermarkets to encourage them to introduce plastic-free aisles in which all the food is loose, and investing new money in plastics innovation.

The Government will also encourage manufacturers to take responsibility for the impacts of their products and rationalise the number of different types of plastics they use.

Indeed, one major supermarket chain has just announced it will go plastic-free within five years. The current plastic packaging would be replaced with paper and pulp trays and paper bags, which would be recyclable through domestic waste collections or in-store recycling facilities. It can only be a matter of time before other supermarket chains follow suit.

However, the Government recognises that tackling the use of plastic cannot be done in isolation. The sustainable development of our oceans will be on the agenda when it hosts the Commonwealth Heads of Government Meeting in April. It will work to create a Commonwealth Blue Charter and push for strong action to reduce plastic waste in the ocean.

In addition, the Government will direct its development spending to help developing nations reduce plastic waste, increase our own marine protected areas at home, and establish new Blue Belt protections in our Overseas Territories.

The solution to this global problem will require change and effort from all countries around the world, which the UK will work to achieve.

[The pound climbs against the dollar to its level in February 2016 before the referendum]

This week the pound has reached $1.38, a level it was at in late February 2016 before the vote on leaving the EU. Its steady climb has received less attention than its previous fall, and is not usually attributed to Brexit in the way some try to explain any decline post the vote. This is a curious asymmetry in the commentary. I also wonder why they thought the pound often fell against other currencies when we were in the EU with no plans to leave.

Various contributors to this site keep alleging that trade would be very difficult under WTO rules with the rest of the EU. They need to explain how it is we have smooth trade with non EU countries at the moment under those same EU rules. They also ignore the fact that our current border for trade with the rest of the EU is a currency, Excise, VAT, anti smuggling and pro safety border requiring a range of checks and illustrating how much of this work these days is done by electronic manifest and checks that do not delay the flow of goods.

[Taxing travel]

I saw in the press the case made for private sector run roads. The IEA pointed to the shortage of capacity of the current road system, the high pay backs that new road investment would achieve compared to new railway lines, and urged a more radical approach. The present government has ruled this out, and is only considering road user charging for lorries, not for private cars. Without a system of comprehensive user charging private run roads with private new investment are impossible. This article is not an attempt to re open this issue, which the government regards as settled.

In the run up to the 2010 election I worked out a scheme to repay debt from franchise fees for roads whilst abolishing Vehicle Excise Duty as the Conservatives were keen to find ways of cutting state debt. I am not recommending this scheme now, but thought it might be of interest to see what has been explored and rejected in the past.

The aims I set were

1 Road users overall to pay no more in tax and no less as a result of the change

2. Tax road use rather than vehicle ownership

3 Raise a large sum of money from the private sector to pay off some national debt.

4. Government to retain the freehold of road network so we were not selling long term national assets

5 Motorists to display and register their insurance so there remained accessible records of vehicles in use

6 Private managers of the highways network incentivised to increase capacity,safety and availability of road space

7 Price controls to stop monopoly exploitation of popular roads at popular times of day.

8. Winners from the scheme to be people on lower incomes, low mileage drivers and users of roads at off peak periods

The scheme entailed introducing road charges to replace the lost VED revenue. The government was to offer franchises to manage and improve the main roads and to collect the charges to pay for the maintenance, management and franchise premium paid to the state. The franchises were to be auctioned for a specified price, with bidders bidding for length of contract. There would be absolute price controls to stop monopoly exploitation, allowing franchise holders to charge less off peak as they saw fit. The numbers worked to deliver £ 100 bn of capital to the government to repay debt, with later reversion of the franchises to do it again.

Private management of the highways was likely to result in improvements to flows and use, with less time with intrusive roadworks and closures. Franchise holders could add to the network, with incentives to spend capital on road improvement and protection for sunk capital if they lost the public sector road franchise.

The leadership considered it carefully but rejected it because it had a big political drawback . The public were so distrustful of government that they did not believe any government would honour the promise not to charge more. I accepted their decision and did not press the scheme. The scheme did of course offer a useful tax cut to those using the main roads less than the average. It was particularly helpful to low income and elderly households who drive fewer miles. The user charges only applied to the national trunk and motorway network.

Today interest rates are lower so the public finances would lose out from the loss of state revenue, so it is a non runner. The scheme worked financially only because the state saved in interest costs from debt repayment what it had lost in VED revenue forgone. Today some people are proposing a switch from VED to road charges but alll collected by the state. This cuts out revenue loss but fails to deliver service improvements in highway provision. With user charges the motorist would likely get even more critical of the poor service and availability of roadspace in the UK with a public monopoly.