



Parliamentary Campaigner

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Simon Hughes on the Heseltine plan for coal -

“No strategy and no commitment”

Simon Hughes, our Energy Spokesperson, attacked the Government's White Paper on energy as a complete cop-out. Speaking at a TUC rally and later in the House of Commons, he said that the white paper was without strategy, without imagination and without commitment.

This is an extract from Simon's speech in the chamber. On page three we have compared the Government's white paper, the Select Committee report and our own paper: Power For The People.

Mr Simon Hughes (Southwark and Bermondsey): Will the Secretary of State explain how it is possible to make a decision about the future of the coal industry in isolation? He has agreed, in the White Paper, to bring forward the nuclear review, but that will not be until later this year. A decision on renewables will take place later this year. The planning guidance in opencast mining will be issued, presumably, later this year - there is interim guidance already. The decisions about orimulsion by Her Majesty's inspectorate of pollution will not be made until later this year. The Secretary of State gives the impression that he is trying to buy a few votes to get him over the hurdle of back-bench opposition tonight. The strategic decisions about Britain's energy policy will be put off into the future when, one by one, each industry will have a decision taken separately. He will have washed his hands of the coal industry by selling it off.

All Present & Correct!

All twenty Liberal Democrat MPs, from Alton to Wallace, were present to vote against the Government's plans for the coal industry. Four Conservatives voted against the Government: Richard Alexander, Bill Cash, Elizabeth Peacock and Nick Winterton. There were three known abstentions: Winston Churchill, Patrick Cormack and Stephen Day.

Unfortunately that was the limit of the Tory rebellion and the Government also had the co-operation of the Ulster Unionists.



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Tourism – a vital British Industry

On Friday 19th March the House of Commons debated the state of the tourism industry in the UK. Tourism is vitally important to the UK economy. It contributes £25million to the economy annually and employs more people than the construction industry or health services.

However the industry is facing many problems and Liberal Democrat spokesman, Paul Tyler MP (North Cornwall), raised these issues in the debate.

He pointed out that the strength of the industry is falling. In 1989, tourism contributed 4 per cent of GDP (Gross Domestic Product) but the latest figures show that it has now slipped to 3.4 per cent. Paul Tyler set out three structural factors that have caused this slip.

VAT Anomalies

In this country hoteliers suffer a disadvantage caused by Britain's unfair VAT regime. Hotel bills across the Community have VAT applied at different rates. For example in Greece it is 8 per cent, in Spain it is 6 per cent and in France, our nearest competitor, it is only 5.5 per cent. In Britain, hotel bills attract VAT at 17.5 per cent.

This is unfair and the situation will be worse when the channel tunnel is open next year; increasing competition from French holiday destinations. British ministers should be fighting in Brussels for changes to the VAT rates.

Health & Safety Regulations

There are also huge discrepancies in the application of fire, health, food and hygiene regulations across the Community. Some of the regulations are also impractical and costly. What the industry needs is realistic standards applied equally across the EC.

Uniform Business Rates

The third structural problem with the Tourism industry is entirely home-grown. Tourism is different from most other businesses in that it is entirely cyclical. Unfortunately this is not recognised when collecting the UBR. A business that is effectively open for four months of the years - perhaps only for six weeks - pays the UBR on a valuation that takes account of a full 12 months' operation. This is clearly unfair and the Government should take action.

Action on these three issues would give a huge boost to Britain's tourism industry. Paul Tyler also raised some other issues during the debate. He pointed out that since privatisation some areas that rely heavily on tourism are affected by disproportionately high water charges.

For example, in the South West of England, 2 per cent of the population are now paying for 10 per cent of the coastline to be cleaned up. The result has been a 16 per cent rise in prices with the prospect of them doubling by the end of the decade.

Another potential threat is posed by Rail privatisation. There are two issues here. Firstly, it is unclear what will happen to rail passes for tourists. In 1991-2, 100,000 British Rail passes were sold internationally. Will the private sector continue with this? The second issue is that of the lines to the tourist resorts. Will through services to destinations such as Newquay and Blackpool remain available?

Paul also raised the issue of Government spending on tourism promotion. The industry in England receives a lot less than the rest of the UK. The expenditure per head of population is:

Northern Ireland	£6.26
Wales	£5.06
Scotland	£3.20
England	£0.42

While we don't believe that the figures should necessarily be equal, we do believe that the current difference is too great. The Government obviously believes that the opposite is true because the difference is actually planned to get worse! By 1995/96 the figures will be:

Northern Ireland	£8.60
Wales	£5.39
Scotland	£3.14
England	£0.21

Increased support for Tourism would help with some of the worst unemployment blackspots. Of the top 20 blackspots in England, identified by the Department of Employment, 11 are in areas that predominantly rely on the holiday industry.

Campaigning on Tourism

If you are in an area that relies heavily on tourism then you should be campaigning on this issue.

Use the points raised in this article, particularly the three structural problems that Paul has raised.

You should use press releases and articles in your leaflets to call on the Government for action on these problems. Challenge your MP to back your campaign.

You should also consider writing to all those involved in the holiday business. You could produce a special leaflet and a covering letter.

In the covering letter you should introduce yourself and explain that you recognise how important tourism is to the local economy.

Point out that it is the Liberal Democrats who are pressing the Government for changes to help them. Ask them for their own views.

You can use the material in this article to write the leaflet. You should also do some local research. Find out if your district or county council has done any research on tourism and the local economy.

If you would like a copy of the whole debate, write to David Loxton at the Liberal Democrat Whip's Office, House of Commons, London SW1A 0AA.

You will also have to do a bit of research on who to send your letters and leaflets to. Use local directories and telephone books to find names and addresses of all those in your local holiday industry: hoteliers, restaurateurs, holiday park owners, amusement facility owners and other traders. Try your local Chamber of Commerce for more information.

Increasing the Market For Coal: The White Paper Compared

Policy Options	White Paper	Select Committee Report	Liberal Democrat Paper
Generators	No change.	No recommendation.	Refer to MMC and split up, before then Privatising and splitting up British Coal.
RECS Franchise	Phase in competition.	RECS to keep monopoly in return for higher coal burn.	RECS to keep monopoly in return for higher coal burn.
RECS Generation	No change.	Review of gas contracts but no recommendation of whether RECS should be allowed to generate.	RECS banned from generation.
Regulator	No change.	Review role of regulator.	Merge Offer +Ofgas and increase power.
Interconnector	No change.	Zero net flow, saving 6.5mtc.	Zero net flow, saving 6.5mtc.
Gas	No change.	Operate at midload not baseload.	Operate at midload not baseload.
Nuclear	Review brought forward.	Review brought forward.	Review brought forward, begin closing Magnox now.
Coalstocks	Apparent target of 11mtc, but subject to consultation.	Keep at least 20Mtc.	Run down from 45mtc total to 27mtc, with 10m sold at world market price.
Orimulsion	Impose fuel duty, HMIP to decide on FGD.	Impose fuel duty HMIP to insist on FGD.	Impose fuel duty HMIP to insist on FGD.
Opencast	Assumed reduction to 12mtc Planning guidance under DoE review.	Revise planning guidance.	Revise planning guidance, 10mtc predicted.
Clean Coal	No change, Clean Coal Technologies 'not economic'.	Support through subsidy from Fossil Fuel Levy.	Support through Cleaner Fuels Obligation.
Renewables	Aim at 1500MW new capacity by 2000 seeking EC extension to NFFO. Strategy review later this year.	Not considered.	Target of 20% by 2008, through revised and extended NFFO.
Energy efficiency	Aim 2000 MW extra CHP by 2000 consultation on Demand Side Bidding.	Preferential treatment for CHP projects. Energy efficiency not considered.	3.5% p.a. improvement in energy ratio from energy efficiency and CHP, with an obligation for Least Cost Planning.
CO2 Targets	Return to 1990 levels by 2000.	No recommendation.	Reduce by 30% by 2008.
Supplementary Contracts	Negotiations to continue total unspecified.	Subsidise 95 mtc over 5years.	Require additional contracts of 140mtc over 5 years.
State subsidy	Level to be negotiated, with total subsidy unspecified. Reduction to zero by privatisation (expected 2yrs).	Up to £500m.	None.
Job losses	Commentators predict 13-18,000 now and all 31,000 jobs lost within 3years.	10-15,000 now.	10,000 now New jobs created in energy efficiency.

MMC - Monopolies and Mergers Commission. RECS - Regional Electricity Companies. CHP - Combined Heat & Power.
 FGD - Flue Gas Desulphurisation. NFFO - Non Fossil Fuel Obligation. Offer - Office of Electricity Regulation.
 Ofgas - Office of Gas Regulation. HMIP - HM Inspector of Pollution.

A Budget of Broken Promises

The things they said – before the election:

“I have no plans to raise the level of National Insurance contributions”

John Major speaking in the House of Commons on 28th January 1992

“I have no proposals and no plans either to the scope or the level of VAT”

Norman Lamont speaking in the House of Commons on 10th March 1992

“We have no need and no plans to extend the scope of Value Added Tax”

John Major speaking during the General Election Campaign on 27th March 1992

“We will not have to increase taxes, I cannot see any circumstances in which that would be necessary”

Norman Lamont interviewed a week before the General Election on 31st March 1992.

Treasury Spokesman, Alan Beith MP, attacked the Chancellor's Budget statement for debasing politics. The Conservatives sought election on a promise of low taxation. Now that they are re-elected they pursue a policy of high taxation.

He said, “I believe that the British public are entitled to a re-run of the general election, in which the Conservative party is required to stand on the policies that it is in fact pursuing.”

VAT on fuel - not green, just mean !

When the Chancellor announced the extension of VAT to domestic fuel he tried to curry favour with the Euro-sceptics on the Tory benches. He told them that we would have no nasty European energy tax - we would be having a far nastier energy tax of our own!

Lamont's energy tax is nastier than that proposed by the EC for two reasons. Firstly it is not a genuine resource tax, secondly it is targeted at those who have the least ability to pay it.

Alan Beith said, “It is not a genuine energy or resource tax. It is not directed at resource use or pollution. Oil and wind power are taxed on the same basis under VAT. Oil and solar have the same impost levied on them under VAT. They will attract VAT of 17.5 per cent, as will the standing charge which is so hated by pensioners who try to keep down their energy costs. The new arrangement does not discriminate as a carbon, energy or resource tax would.

“If the tax had the effect of drastically reducing energy consumption, he would not get his revenue. The tax will not have that effect because it is targeted at those whose demand for energy cannot be elastic. It is not directed at industry but at the consumer. It will bear heavily on families who have no choice, especially tenants of badly built houses, which are not energy efficient.”

National Insurance - a back door tax

Raising National Insurance contributions is a tax rise in all but name, something the Conservatives said they would not introduce. As Alan Beith pointed out it is actually worse than an increase in tax rates because of the upper limit on NI contributions. The more you earn the less you are affected.

“It is even worse than an increase in income tax because it is not as fair. It does not apply to the higher levels of income, and makes the anomalies of the national insurance system even worse - national

Broken Promises

insurance does not apply to perks and all the other factors that the income tax system covers.

"The Chancellor tried to justify the increase in National Insurance contributions by saying that there was a shortfall in the National Insurance fund. But Ministers know perfectly well that the fund has become a fiction, and that there will still be a shortfall in it. This is a tax increase, and it was designed to be a tax increase - but it is a badly designed tax increase.

Jobless Figures

The unemployment figures for February were released on March 18th. Much to the Government's relief, as this was budget week, the total dipped slightly. Although it was encouraging news, most economists believe that it was just a blip and that the dole queue will continue to lengthen for some months yet. The next set of figures is released on April 22nd.

Claimants	No.	Change from Jan	Change from Feb '92
Total	3,043,000	- 19,000	+ 332,000
Seasonally adj.	2,971,000	- 22,000	+ 326,000
Vacancies at Job Centres	122,000	+ 18,000	+ 2,000

Regional/National Figures (seasonally adjusted)

	Total	Rate	Change in rate
South East	946,100	10.4	- 0.1
SE incl G London	351,300	11.7	0
East Anglia	85,800	8.5	- 0.1
South West	224,100	9.8	- 0.2
West Midlands	289,400	11.4	- 0.1
East Midlands	187,600	9.5	- 0.2
Yorks & H'side	250,400	10.5	- 0.1
North West	330,500	10.8	- 0.1
North	168,700	12.2	+ 0.1
Wales	132,300	10.2	- 0.1
Scotland	248,400	9.9	0

Don't forget that you can get the unemployment figures for your own constituency by ringing these numbers:

England	071 273 5532
Wales	0222 380780
Scotland	031 556 9211

The figures are available after 11.30am on the day of publication. You should keep a record of the monthly figures so that you can comment on local trends over the whole year.

Britain Leads The Way

The Conservatives never tire of telling us that unemployment is a world problem. Well so it is, but what they don't point out is that Britain's unemployment rate has grown far faster than the other western industrial nations.

Unemployment Rates in OECD Countries:

	Annual Average		
	1991	1992	Change
UK	8.7	10.0	15%
USA	6.6	7.2	9%
Japan	2.1	2.2	5%
W Germany	4.4	4.8	9%
France	9.5	10.3	8%
Netherlands	7.0	6.8	- 3%
Italy	9.9	na	na
Belgium	7.1	7.8	10%

ILO/OECD standard rate, seasonally adjusted

Fuelling the flames!

By far the most unpopular measure in the budget is the extension of VAT to domestic fuel. As you can see from the article on page 4, Alan Beith has attacked this measure.

Several areas have started campaigns against the measure. Yorkshire and Humberside Region are running a petition, more information from - Julian Cummins, 28 Outwood Lane, Horsforth, Leeds.

The Scottish Party is consulting with various voluntary groups to gather evidence about the effects of the measure.

If you do run a petition, remember to keep a record of the names and addresses so that you can write to the people who sign it again.

Agriculture Bill

In Parliamentary Mailing No.14 last year Paul Tyler's Research Assistant, Jon Sacker, explained what was in the Government's Agriculture Bill.

The bill, which was launched in the Lords has now arrived back in the Commons. On Tuesday 23rd March it received it's second reading and will now go into committee.

The bill deals with market structure of three commodities: potatoes, wool and milk. The Liberal Democrats believe that the bill has some good potential but that it also has some flaws. We will be attempting to address these failings as the bill goes through its committee stage.

In the meantime Paul Tyler set out our position in the second reading debate.

At the moment the market for all three of these items is regulated by a public body. The bill does away with these bodies and replaces them with new regimes. The situation for each commodity is different and, unfortunately the bill is vague about some of the arrangements for the future.

Potatoes

The bill abolishes the Potato Marketing Board. This is very much a government initiative. It has not been sought by the producers, the consumers, retailers or wholesalers. The only people in the industry pushing for it are the processors. We are not required to do it by any European legislation.

In his speech Paul Tyler said, "The problem now is not so much the merits of the present scheme, but that we are being asked to buy what could be described as a potato in a poke. We do not know what regime will operate. It is possible that in the long term it could be very satisfactory, but there is an old saying, "If it works, don't fix it". Until we see a real improvement in the type of regime that is developed, it is open to many people to express scepticism about the nature of the transition, its speed and timing."

Wool

The bill removes all regulation of the wool market which means the end of the guaranteed minimum price. This will probably result in the current price that farmers receive being halved. Although wool represents a very small part of the income of sheep and hill farmers there are still 98,000 wool producers. Many of these people are on very low incomes and they have already been hit by the Governments recent decision on the Hill Livestock Compensatory Allowances (See Parliamentary Campaigner 5th March P.6).

Paul urged the Minister to delay this measure until there was a recovery in wool prices.

Milk

The main part of the bill deals with the market for milk. The Milk Marketing Boards will be abolished and replaced by a new private co-operative called Milk Marque. Milk Marque will not have a monopoly however, as private companies will be able to compete at the farm gate. The milk product processor Dairy Crest, which is run by the MMB, will be floated as a separate company.

Paul Tyler said that the proposals for milk were along the right lines but pointed out the situation in Scotland was different than that in England and Wales. In Scotland, unlike other areas, dairy farm incomes are falling. Paul said it was obvious that the milk production set up in Scotland should be different to the rest of the UK, not merely for historic reasons but because of the state of the dairy industry there. He urged the Minister to allow a separate milk development council for milk in Scotland.

Paul finished by saying, "This is not the bill for which we hoped and expected. I hope that the House or the Committee will be able to improve the bill, but I have no more confidence in the Government's policies at present than, I believe, the agriculture industry has."

We will have an update of the bill's progress during the Committee stage.

Muddled Ministers

Confused by Tory Education Policy? Don't worry, you're not the only one. The Government itself seems rather less than sure footed.

"Grant maintained schools and LEA schools must operate on equal terms."

John Patten, Secretary of State for Education.

"There can never be a level playing field between grant maintained schools and LEA schools."

Eric Forth, Minister of State for Education

Confused or not, some Conservatives do share some of the opposition's doubts about the Governments policies:

"(We are) seriously concerned at the massive and dangerous increase in powers given to central government."

Conservative Education Association, January 1993.

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Contact David Loxton, Liberal Democrat Whip's Office, House of Commons, London SW1A 0AA for further information.

Understanding the Economy

The Economy Made Simple - Part 2

Macroeconomic policy

In the last mailing, we looked at the difference between macroeconomic and microeconomic policy. We saw that macroeconomic policy issues included things like exchange rate policy and the public sector borrowing requirement, the "large", "demand-side" issues, which affect the whole economy, relatively quickly. This week we look more closely at macroeconomic policy.

Monetary and Fiscal Policy

Macroeconomic policy has two sides - monetary and fiscal policy.

Monetary policy involves issues like the exchange rate, interest rates, the money supply, credit and central banks. In recent years debates over monetary policy have included whether or not Britain should be in the exchange rate mechanism and have fixed exchange rates, whether or not Britain's central bank should be independent, and whether or not Europe should form a currency union, with one currency, one interest rate and one central bank in charge.

Fiscal policy involves issues like the level of public expenditure, the level of taxation, the public sector borrowing requirement and the national debt. In recent years the debates over fiscal policy have included whether or not the level of taxation should always fall, what proportion of Britain's national income should be spent by Government, and whether or not public borrowing should be cut.

However, it would be wrong to see fiscal policy and monetary policy issues totally separately. The Conservative Government argued in the 1980s that fiscal policy could be separated in some way from monetary policy, and that fiscal policy should be set for "the medium term", with its primary function to be ever

lower taxes, a shrinking amount of public expenditure as a percentage of national income and a balanced budget over the economic cycle.

Monetary policy in the meantime was given the job of looking after the overall state of demand in the economy. The fallacy of this separation was shown most vividly in the 1988 budget: despite the fact that monetary policy was allowing the economy to grow quickly (low interest rates, rapid growth in the money supply), Nigel Lawson cut taxes, thus allowing fiscal policy to reinforce the effects of monetary policy: he said this would make no difference because fiscal policy only affected the economy over a period of years!

Liberal Democrats - and most economists - think that fiscal and monetary policy should always be considered together.

Changing Policy

Changes in fiscal or monetary policy are referred to in the jargon as "tightening" or "loosening" of policy. Thus, when interest rates are cut, newspapers refer to a "loosening of monetary policy". When taxes rise, newspapers might talk of a "tightening of fiscal policy".

In the ERM, when interest rates have to be kept at levels above German interest rates whatever the level of one's currency (see next column), Britain had a "tight monetary policy" of high interest rates and a "loose fiscal policy" of a growing public sector borrowing requirement. Since leaving the ERM, the Government has reversed this duo - in the jargon, "changed the policy mix". The mixture is now of tighter fiscal and looser monetary policies.

So one key macroeconomic question is deciding what "mix" of monetary and fiscal policies are appropriate for achieving your economic objectives.

However, different people at different times have not only had varying economic objectives, but also different views about the relative power of monetary and fiscal policy to achieve any particular objective.

Some people wrongly think that "Keynesians" believe that fiscal policy is the most effective, while "Monetarists" believe that monetary policy is more effective. This is a vast oversimplification because most schools of economic thought think that different mixes of fiscal and monetary policy are appropriate in different economic situations. For example, the Chancellor's new advisory panel contains a mixture of monetarists and Keynesians, and they all, bar one, argued against tax increases for this coming year. There is no "unique" setting of fiscal and monetary policy which is always right, and no unique approach to setting the mixture of policy which economics says is "right".

At the moment, Liberal Democrats have argued that the "loosening" of monetary policy since Black Wednesday will be insufficient by itself to get the economy going. When confidence is so low and debts so high, a loose monetary policy will take some time to be effective. There ought to be some fiscal stimulus as well because the economy is in such a dire state. We have therefore argued for higher public investment, funded by borrowing.

However, because high public borrowing cannot continue indefinitely, we have said that the investment must be temporary and targeted, and that in future years the Chancellor should be prepared to raise taxes. In the 1993 budget, the Chancellor did at least delay the tax increases - the "fiscal tightening" - but there was no additional fiscal stimulus to back-up monetary policy, and his tax increases in future years fall far too heavily on the poorer sections in society.

Meanwhile...

Since the last edition of Parliamentary Campaigner MPs have had some light relief from debating the **Maastricht Treaty**. While the contents of the budget were not welcomed by all, the chance to get their teeth into something different certainly was.

That isn't to say that Maastricht hasn't featured at all. On March 24th MPs sat through the night in order to make some much needed progress. The Liberal Democrat MPs supported the all night sitting. As this resulted in the customary abuse from Labour and the Tory sceptics it is perhaps worth repeating our strategy.

Our objectives are clear:

1. Get the treaty passed.

This why we have supported the Government on procedural votes to keep the bill moving.

2. Get the Social Chapter applied to the UK.

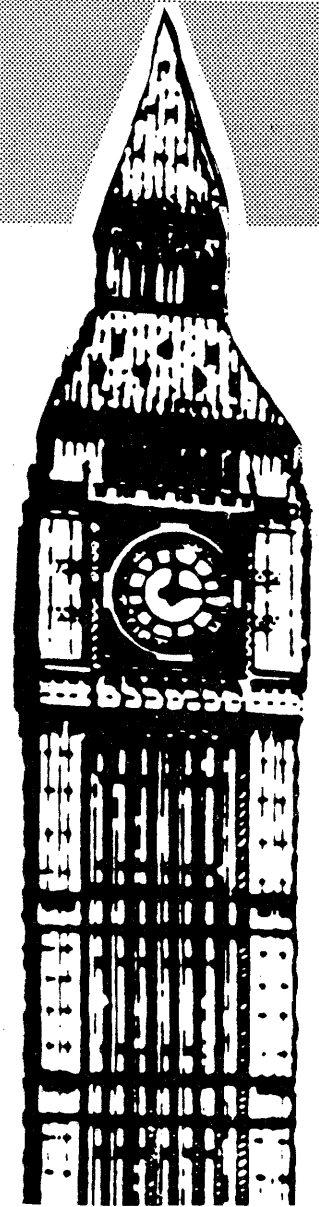
We shall be voting for the Social Chapter when the time comes although it is unclear at the moment what the legal effect of the various amendments will be.

3. Make Europe more democratic.

The amendment on which the Government was defeated, with our help, ensured that the people who represent Britain on the new Committee of the Regions are elected councillors, not just anyone the parties want to appoint.

The House spent four days debating the **budget**. Most attention was focused on the extension of VAT and the fact so many of the Governments promises have now been broken. The measures will now be scrutinised in committee where we will be represented by Alan Beith.

One interesting announcement, which arrived in the form of an answer to a written question, was the fact that the Secretary of State for Transport has given the go-ahead for the **Newbury** bypass. This surprise announcement, surprising because the public inquiry was nearly a year ago and many other road schemes have been announced since then, was of course nothing to do with the vacancy in the Newbury constituency. Ministers told journalists that it was a complete coincidence.



Summer Timetable

It is now possible to sketch out a rough timetable through to the summer recess. By the time you read this, MPs will have left Westminster for their Easter break. This is how the programme for the coming four months looks. Remember, this is partly guesswork as the Government only have to announce business a week in advance.

Easter to Whitsun 14th April – 28th May (6 wks)

Maastricht

This has about one third of the committee stage to go. The Government will be keen to allow time to get it through the Lords before the summer.

Charities

Criminal Justice

Welsh Language

These three have been through the Lords but have yet to start in the Commons, so they must come soon.

Lotteries

This bill has completed its committee stage and is waiting for a report stage

before going to the Lords.

Asylum

The Lords have amended this bill so the amendments will have to be debated in the Commons.

Finance

This needs a second reading before going into committee.

Whitsun to Summer

7th June – Mid / Late July

Agriculture

This bill has only just started in committee.

Railways

This is still in committee.

Education

This is currently being debated in the Lords and will return to the Commons.

Housing & Urban Dev

Trade Unions

There will be Lord's Amendments to debate on both of these.

Plus...

European Boundaries

At some point the Government is going to have to decide what to do about the 6 extra seats allocated to the UK and introduce a bill.