

JUSTIN'S COMMENTARY

SEVEN 
Investment Management

Justin Urquhart Stewart is one of the most recognisable and trusted market commentators on television, radio and in the press. Originally trained as a lawyer he has observed the retail market industry for 30 years whilst in corporate banking and stockbroking, and has developed a unique understanding of the market's roles and benefits for the private investor.



CHALLENGING COMPLACENCY – WHY WE NEED AN ECONOMIC CHALLENGER

With the collapse of the centre left of the Labour Party, and the wholly unexpected rise of the left wing radicals, it has meant that much of the seriously challenging debate about the UK economy is quite likely to be lost. Most of our daily press does have a certain right wing bias, with some being quite blatant and others somewhat more subtle. However the upshot has been that any comments from Messrs Corbyn and Shadow Chancellor John McDonnell are normally framed amongst phrases of "left wing extremist" and "labour militants". Classically last Monday, The Times front page headlined with "secret plot to oust Labour moderates", which has the effect of meaning that anything stated regarding the economy from these "lefty loonies" is seemingly therefore mad and should be disregarded.

This will have the effect of stifling any real debate on such subjects, thus allowing the Government to chortle to itself that any credible economic opposition has collapsed. Will it therefore be accepted that it is only its own economic ideas and policies that are the reasonable alternative? It also means that any challenging, let alone even radical ideas are almost immediately disregarded by dint of their dubious pedigree.

Now I am not saying that the Corbynite economic policies sound wildly logical or even necessarily responsible, but the hoots of laughter that we may well hear at the Conservative Party Conference may only serve to suppress and drown out any real economic challenge.

Let me look at some examples. Railway nationalisation. Well anyone of a certain age will remember the catastrophe that was British Rail (BR). The UK had a fine railway network in the mid-fifties although underfunded, under invested and under used. The engineering expertise was highly regarded internationally, but government policies of investment starvation and lack of strategic planning led to a steady decline into a dreadful service and an even worse reputation.

Such examples of Government failure to invest in such businesses was not uncommon and another example of course was the Post Office whose profits were regularly taken and squandered by successive governments, with little regard for any future investment and development for the unfortunate business. Little wonder then that we ended up with a second rate service trying to provide a first class one.

So then we had Rail privatisation which (for those who remember it) was carried out at a speed considerably faster than many BR trains - and its result was an operational and economic mess. From one company we ended up with an array of corporate bodies. One group was established to lease the trains (3 in fact to provide competition - but as one did goods trains, one did local and one the intercity trains, it in fact created three increasingly expensive monopolies!) Then there was another set of companies established to run the actual trains, with contracts barely longer than a short term leasehold, and one final company set up to own the track which created the world's thinnest property company - the doomed Railtrack.

It was a mess and some say, quite rightly in my view, it still is, and thus needs reforming. Network Rail, the illegitimate child of Railtrack, is a state hybrid which is neither one (private) nor the other (public). However I would add that some of the railway operating franchises have in fact been quite good (I speak here as a passenger) and a considerable improvement on the old BR.

You may recall their sales buy line "We're getting there" as a slogan - to which the answer was - "Yes, but when?"

Some of the franchises though were awful and failed. It has become a regular source of amusement to speak to the same East Coast line staff and ask them how many uniforms they now own, given the number of failed operators they have endured. It was though quite right of Mr Corbyn to mention that this line probably ran at its best when operated not by a failing and flailing franchisee but centrally by the Government (although really run by the railway teams themselves.) In their own words - "best when left to the people who know how to run railways - the railway men and women themselves".

This though is not full privatisation. Our railways do need reform and organisation but not with political dogma of nationalisation or privatisation, but from sound business sense in running large scale infrastructure.

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Another subject raised by Mr Corbyn was the "people's QE" and a state investment bank. Immediately these have been derided, but perhaps we should take away the rhetoric and understand the logic. The QE part is just using created debt for investment. In reality this happens every single day with the Government's debt management, which thanks to the Debt Management Office (not part of the Treasury) has very effectively kept down the cost of our still rising debt. However, the chances of using more investment debt for projects is not a stupid one, but that

is not really the problem. There is no shortage of investment money for houses, infrastructure and UK projects, but there is a blockage in planning, decisions and strategic thinking (may I cite a missing runway or two).

As for an investment bank for business, well actually, despite all the 'gaffors' of such a radical socialist idea, we actually used to have one. The company was formed in 1945, as the Industrial and Commercial Finance Corporation (ICFC), by the Bank of England and the major British banks to provide long term investment funding for small and medium-sized enterprises. But what happened to it? Well it eventually evolved into a private equity business - which is not a long term investment business for smaller to medium sized businesses - it became 3i!

It is right that we challenge the status quo and to consider new or even old ideas for improving our funding. A sovereign wealth fund has also been mooted and again could provide another funding vehicle, and potentially that could be the beneficiary of any of the other proposed and mooted privatisations that the current Government is considering.

So some of these ideas are not as radical as some would have you believe, although their implementation according to Mr Corbyn may well be considerably different.

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And finally...why not be prepared - build your own coffin.

A new series of workshops has been established called "The Making your Own Willow Casket" costing £300 and will be held in Stroud, Glos on Halloween. People are to be taught how to weave their own coffins out of willow canes. Tutors say the willow coffins can also be used as blanket boxes or bookcases until they are needed.

The coffins are made from willow because it is a sustainable resource and produced locally. Willow had been used traditionally for burials for centuries and they will be suitable for cremation and burial. Teacher Martin said: "Hopefully the caskets will not be required to be used for some time. He added: "At this time of year, when the 'veil between the worlds' is said to be thin, this is a chance to make something of beauty and purpose. People who have had some sort of brush with death often say it changes their perspective."

Well you never know when that reaper fellow is going to turn up, so we might as well be prepared. If you do have a piece of useful furniture as well then obviously it would be so much easier to get into a rush.

Have a good week.

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