

JUSTIN'S COMMENTARY

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.



ICE POWER ALTERNATIVE TO PUTIN

It has been an old idea and one which originally foundered on the rocks of the Rockall Ridge far out in the Atlantic. The concept seems very simple, although its practical execution is a source of bewilderment to me; however I am sure those brighter than I will be able to explain it properly. The idea is that we can take thermal power from the Icelanders, yes the country with roughly the same population as Scunthorpe, (I mean in numbers not temperament) the country with whom we had a cod war or two, and the country we have the cheek to partially blame for our banking crisis, we now want to have as a trusted friendly power provider. Frankly I am surprised they don't want to lob us into an old fishing net and dump near us sweet Rockall, but on the other hand they need the money.

The concept is simple. Just hitch up a volcano to a steam driven power station and there you have it. Presumably there is a bit of science somewhere in between, but that is fundamentally thermal power - a volcano powered kettle, whose steam pushes round a turbine fan to create electricity.

This wondrous idea was conceived in the 1950's as a source of cheap and almost endless steady power. Leaving aside the technical issues about slinging a thermal pipe between Scotland and Iceland, everyone seemed to think it was a cracking idea. That was until the Men from the Ministry turned up. The civil servants from the Foreign Office apparently piped up and said that we couldn't go ahead, as an Icelandic pipe going across the almost unknown Rockall Ridge might impune our claim of sovereignty to the luxurious outpost of empire - Rockall. This guano covered lump of granite is claimed by not just the UK but also the Republic of Ireland and of course Iceland and, whilst ownership of the rock itself is of little interest to many, apart from a few politically aware gannets, the 200 mile economic zone surrounding it certainly was - and still is.

Although at that time neither North Sea nor North Atlantic oil was an issue, certainly fishing rights were, but in any case as a result of the Foreign Office's efforts, a cheap sustainable source of fuel and power from the God Thor was put aside.

Iceland has too much power and not enough usage, with dams overflowing, steaming rocks and direct thermal vents, they have enough power source to be the Qatar of the North Atlantic. Such development would not just be available to the UK but to the rest of Northern Europe as well and this could not only be valuable but also politically very timely given the current issues surrounding our Ursine neighbours in the East with their paws on the gas taps.

Now however, following a memorandum of understanding between us and the good burghers of Reykjavik, there is a proposal that a £4bn project could go ahead for this. Sounds like a better deal than a load more windmills, and considerably better value than £40bn plus on HS2.

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Time for some radical Income Tax thinking

In the run up to the Budget everyone will be coming out with their wish lists - which of course are unlikely to be taken much notice of, but at least it allows people to vent their frustrations. One thing that often comes up though is the question of higher taxation of incomes and the effect that this has. Graeme Leach the Economics Director at the Institute of Directors has offered some clarity here which I think is useful.

He was writing about "taxable income elasticity" and how that changes in response to a tax change. The idea is to try and establish at what point raising the level of taxes actually starts to reduce the amount of tax raised for the Exchequer. We know that there was such an effect when Lawson reduced the top rate of tax dramatically from 60% to 40%, and subsequently he saw his size of tax revenues increase.

More recently the HMRC is saying that they are getting in significantly more from the lowered 45% rate (around £50bn this year) than the 50% rate of the year before (£41bn). Of course one could argue that the economy was even weaker then, so that might be some of the answer, but certainly not all of it. It seems if you tax more, people try harder to avoid it (or even illegally evade it).

One figure to remember though, when people do trot out those tedious tax ideas of squeezing the middle class even more, is that 30% of all income tax comes from the top 1% of tax payers. So where is the optimum position for such a level? Well it is difficult to know, except by some modeling, but Graeme seems to think that the revenue maximising figure is probably below 35% - or even 30%. Now that would be a radical view and change, and certainly impact on the lower 20% level, to the extent that you could question its benefit at all.

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In the year the superb Viking exhibition comes to the British Museum perhaps we should remember the anniversary of the return of Ethelred The Unready (not actually unready but ill advised is a better translation) from Normandy to take back the kingdom from the Vikings 1000 years ago in 1014.

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And finally...an Australian man has been rescued by police after getting lost in his own garden, while investigating what he thought was a wild dog.

The man, identified as "self-confessed idiot Jason", by Darwin's NT News, was eventually located 300m from his house. Jason says he had been watching TV and having a few beers when his dog became agitated. He thought he saw a dingo and went outside into his 20 acre property to look for it.

But soon he was lost in the scrub, wearing only shorts, with a phone fast running out of battery. "I don't even know how it happened," Jason says. "I turned to come back and all of a sudden I was in long grass. I just thought 'Where the bloody hell am I?'"

He called the emergency operator, but was rebuffed by a dispatcher who said the situation was not an emergency. Police eventually found him uninjured - except for a few scratches and a mass of midge bites.

Jason says he's grateful to police and neighbours for rescuing him. But comments on the NT News site are less forgiving, with one person using the catch-all Australian insult "Drongo".

Have a good week.

Justin Urquhart Stewart
Director
Seven Investment Management
www.7im.co.uk