

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.



IGNORANT POLITICIANS LEADING TO STUPID POLICIES; MY FINANCIAL PROGRAMME AND WHAT I WANT FROM THE POLITICIANS

Oh dear! We have another 6 months of this political nonsense in the build up to the election. Now please don't get me wrong, I think this is going to be a fascinating campaign, election and result, and no one can really call the likely winners at this stage. It seems more like the old fashioned game of Diplomacy with all the competing groups impacting on each other's ability to garner votes, whether it is the SNP taking chunks out of Labour, the Liberals hanging onto their core territories, the Tories fending off UKIP, or Labour all professing the mantra of undying loyalty to their less than convincing leader. This leaves UKIP as the untrained, untamed mustang whose bucking and kicking make the entire event even more unpredictable.

The result of all of this is that we seem to be bereft of much in the way of sound reasoned political debate in any area apart from the excellent political programmes hosted by Andrew Neil. The rest sadly reduces us to sound bites and populist pleadings. From the NHS, to defence and the economy there seems to be little in the way of considered argument on these important subjects, but rather the picking up of obviously emotional issues which will attract media coverage.

The economy especially is a topic which the political spin doctors feel that we, the public, will never really be able to appreciate and thus in their view it should be reduced to the shameless populism of statements around protecting suffering minorities and fanning the evil notoriety of power companies, financial services and banks. The result is misleading pap designed to attract the media snippet, and does very little to address the core issue facing our nation.

When it comes to the economy, quite obviously most of the politicians have little idea of what they are talking about, with terms like deficit and debt being lobbed into conversation without any real appreciation of what they mean or, more worrying, the implications of the policies they are pontificating about - but it sounded good in a focus group, so it must be ok!

Most politicians don't seem to be able to get past the concept that our nation's economy is not like a household budget, and that running our nation's finances does not bear much resemblance to our weekly shop at the supermarket and getting the mortgage paid. The finances of the UK are far more complicated than that but sadly, with a short election cycle, trying to get politicians to take a longer term strategic view to balancing the books is extremely difficult.

I would like to see a commitment from our leaders to really look at the running of the finances of the state and put together a long term plan of asset and debt management. So for example, looking at the tax raising side to review and propose reform right across the board - from stamp duty, council tax and land tax, to income tax and national insurance and to put in place a plan to bring up to date our complicated mille feuilles tax system. We might even be looking at new tax areas to take account of our modern unhealthy eating society, by way of a fat and sugar tax in order to educate our Diabetes 2 generation into a healthier lifestyle. Just think how much tax McDonalds and Starbucks would pay then?

Also to look at those assets we can sell for the benefit of our finances, but this time not in the investment banking ideas of the privatisations, but cheaper, easier and fairer ways of raising capital value and transferring ownership in a cost effective manner. I have gone on about this before so won't bore you again.

Then to look at the funding of our debt too. This not just a mortgage that we may have on our houses, but a complicated set of debt built up to pay for often extraordinary events at extraordinary times, like wars and insurrections. This is no simple mortgage and a credit card.

Not all debt is the same. Some is for investment and makes a return and some is for short term cash financing, but sadly we lump this all together without really appreciating how good investment debt can help an economy, whilst wasted cash flow debt on populist policies is irresponsible politicking by those trying to get re-elected.

And then to funding structures. Still we hear the bleatings from the politicians about the evil bankers and their irrational and irresponsible bonuses. Now that is something I was agreeing with six years ago but, in case they haven't noticed, things have moved on. Rather than carping on about history, where is the appreciation of what is needed to finance businesses over the next few decades? Yes we have had talk of a business bank, but we have not seen a real appreciation of what is needed. I suppose though this is quite understandable as so few of the politicians and their advisers have ever run, set up or even in some cases even worked in a business. We need to address the opportunity of new funding structures to support new businesses.

With the concept of greater regionalisation of power now gaining traction, the opportunity of developing regional funding hubs has to be logical. Anything which can re-establish the connection between local investors and local businesses has to be a worthwhile evaluation. Banks aren't there just to provide capital, and where they did it was usually a disaster (I cite HBOS here), they are there for cash flow (or supposed to be). Private equity and vulture capital are too short term and expect far too greater a run rate of return for the normal business to manage.

And, of course, infrastructure. This is an easy target for all to claim but few seem able to deliver either in terms of project or finance. The UK is in dire need of some strategic leadership for renewing its aging infrastructure. Despite comments to the contrary we are seeing power reductions to industry, we are seeing a weakening power production and delivery system, and a transport structure which would embarrass the Victorians.

So whether it is short term gestures to freeze power payments, or platitudes to sustain the NHS, this is mostly blather. However, if we live in a short term media driven democracy, what else can we expect where our political leaders are a sound bite away from either leadership or bacon sandwich derision.

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And finally...the recently introduced transatlantic 'shuttle' launched by Norwegian Air has already been plagued by costly flight delays on its long-haul routes. This has been further exacerbated by further problems and was forced to delay a flight to New York recently by five hours. Why? Fuel shortage? Staff strike? No - because of a hunt for a mouse in the cockpit.

"The pilots discovered a mouse on the flight deck," said spokeswoman Charlotte Holmbergh. "We had to make sure that no cables or wires had been chewed. This does not happen very often, but it does happen from time to time." This isn't necessarily very comforting as you wonder what else they may have chewed through. Still, next time check out the in-flight meal just that little bit more carefully. Especially the cheese.

Norwegian Air became the only European budget carrier last year to fly long-haul routes, but a string of technical troubles with its new Boeing 787 Dreamliners delayed many of its flights, leaving passengers stranded at airports from Bangkok to Florida.

The airline has since improved its reliability, but it runs its Dreamliners 18 hours a day, five to six hours more than traditional carriers, so even small delays can cause significant schedule disruptions.

Have a good week.

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