

Conservative Party Manifesto 2017

General Election analysis by Interel UK





The Conservative Manifesto Summary & Analysis

Economy

There are no real economic surprises. The manifesto is clear in reiterating the 2015 manifesto pledges to put the tax threshold up to £12,500, the higher income rate to £50,000, and no rises in VAT. For the self-employed there is a vague commitment to "simplify the tax system." There is nothing concrete about the possibility of future tax rises, other than an answer Prime Minister Theresa May gave to a journalist that the Conservative Party "is, has, and always will be the party of low taxation". This is deliberately non-committal, and will no doubt please Philip Hammond.

Corporation tax will be cut to 17%, and like 2015, there is another commitment to tackle tax evasion, such as tougher regulation of tax advisory firms. May is clear in her desire to tackle unscrupulous businesses. The Government will strengthen the pension regulator's 'right to scrutinise' and will increase the punishment for those caught mismanaging pension schemes. It is also suggested that there might be a consultation on mergers and takeovers, to prevent "aggressive asset-stripping or tax avoidance." Similarly foreign ownership of countries controlling infrastructure will be subject to closer inspection in the interest of national security.

On employment, whilst the Government is awaiting the Matthew Taylor Report into modern labour, there are no specific commitments on the gig economy, but a commitment to create a fair labour market, where 'self-employed workers' are adequately protected. The national living wage though will rise to 60 per cent of median earnings by 2020 then by the rate

of median earnings. Listed companies will be required either to nominate a director from the workforce, create a formal employee advisory council or assign specific responsibility for employee representation to a designated non-executive director.

On executive pay, the next Conservative government will legislate to make executive pay packages subject to strict annual votes by shareholders and listed companies will have to publish the ratio of executive pay to broader UK workforce pay. Although this pledge not as stringent as what Labour or the Lib Dems propose, it suggests that the Tories are now the party of aspiration - as long as you can justify your position at the top.

Following the criticism of the changes to small business rates earlier this year, the manifesto pledges to reform the business rates system by conducting revaluations more frequently, and exploring the introduction of self-assessment in the valuation process. The Government will ensure that 33% of central Government procurement comes from SMEs. There is also the 'Red Tape Challenge', which aims to save businesses £9 million by cutting bureaucratic regulations, though does not stipulate which regulations specifically. This is an unusual move as a red tape consultation in 2011 led to no regulatory changes, begging the question of why another is needed now?

In general the economic policies are a combination of vague commitments ("an economy that works for everyone" built on "responsible public finances") and pragmatic state interventions. It's best summarised in the line "Capitalism and free markets remain the best way to deliver prosperity ... (but) these rules need to be updated to reflect our changing economy." The neoliberal wing of the party might not be best pleased at a number of proposals, which could be perceived as anti-business: price caps, pay regulations, higher minimum wages. That said, the Conservatives won't be worried about losing their title as the pro-business party to Corbyn's Labour any time soon.

Infrastructure

The manifesto echoes almost entirely what was laid out in the Industrial Strategy Green paper earlier this year and later in the Spring budget. This includes Investment in research and development of 2.4% of GDP, looking to increase to 3% within 10 years, £40 billion into transport over the next 10 years, and a £23 billion National Productivity Investment Fund; the latter of which includes £740 million of digital infrastructure investment (The digital economy will continue to benefit from favourable tax arrangements), £250 million in skills by the end of 2020, and £1.1 billion to improve local transport.

There is also the reaffirming of the £2.5bn for flood defences, and the creation of a new police infrastructure to protect Critical National Infrastructure. Other than that, it is broad commitments to “deliver the infrastructure businesses need”. In total the Conservatives will spend £170bn on infrastructure over the next Parliament. This is only £9bn more than what was spent in the last Parliament, and dwarfed by what Labour would spend.

Defence & Security

The manifesto repeats previous spending commitments to meet the NATO 2% target, to increase the defence budget by at least 0.5% above inflation in every year and to spend £178 billion on new military equipment over the next 10 years. More significant is a commitment to maintain the overall size of the armed forces, including an army that is capable of fielding a war-fighting division, putting paid to questions over troop numbers.

A commitment to deploy the UK's Trident submarine capability by CASD leaves the Conservatives as the only major party to explicitly commit to this policy. Promises to ‘expand our reach’ and for Britain to do more around the world as a force for good, sound like a vision for an outward looking, liberal and interventionist UK but it seems unlikely this will lead to any great shift in the UK's international outlook.

There is a commitment to protect the Armed Forces from persistent legal claims and confirmation that in future they will be subject to the Law of Armed Forces, not the European Court of Human Rights. Defence companies will also note the intention to strengthen ministerial scrutiny in the sector in respect of takeover bids and with regards to foreign investment in critical national infrastructure.

Energy

Theresa May is keen to see energy prices kept competitive, both for businesses and for households.

The Conservatives will introduce a safeguard tariff cap on household bills. This sounds similar to the energy bill freeze Ed Miliband proposed in 2015, but seems phrased to imply it is something totally different. The manifesto does not state how much this cap would be, suggesting either the energy lobby, or those within her party, have managed to keep this pledge deliberately vague until consensus on this can be achieved.

The Conservatives will also commission an independent review into the cost of energy, with a view to assessing how the UK can ensure UK energy costs are as low as possible, while ensuring a reliable supply and allowing us to meet our 2050 carbon reduction objective. An industrial energy efficiency scheme will help large companies install measures to cut their energy use and their bills, with a view to achieving the “ambition” that the UK should have the lowest energy costs in Europe for households and businesses.

The manifesto also states that the Conservatives want to see a diverse range of sources for Britain's energy production. This includes a commitment to ending large scale onshore wind farms in England, focussing instead on projects in the remote islands of Scotland. There is a commitment to shale gas, meaning the Conservatives are now the only major pro-fracking party in the UK. There is also a commitment to smart grids and disruptive technologies, for which in recent years research has outweighed action. The lack of specificity suggests a shift to disruptive energy technologies is not imminent.

Education

The key departmental pledge is to provide an extra £4 billion to the overall schools budget by 2022. However, to fund this increase in budgetary spending they have removed universal free school lunches from all primary school children and concentrated it on only children from low income families who require it the most. To counter this the Conservatives have pledged for a introduction of a free school breakfast for every primary school pupil.

Theresa May is also seeking to move away from the Blairite doctrine that everyone should go to university. As a result of this the Conservative manifesto actively promotes vocational training by replacing the 13,000 existing technical qualifications with the introduction of a T-Level in 15 vocational subjects. This sentiment is extended to apprenticeships as well, with a commitment to create 3 million apprenticeships for young people by 2020 and to provide subsidised bus and train travel that will incentivise young people to seek out apprenticeships. Businesses will also be able to pass along the levy funds to other sections in the supply chain and be able to transfer their apprentices through their supply chain.

Finally, universities seeking to charge a maximum rate of tuition rates will be expected to provide more to justify it. The Conservatives will require such universities to become involved in academy sponsorship and the founding of free schools.

Housing

The recent publication of the Government's Housing White Paper has given many of the Conservative manifesto promises on housing a familiar ring.

The commitment to building a million more homes by the end of 2020 remains in place, but is complemented by the additional promise to build half a million extra by 2022. The focus on increasing supply to the housing market remains the driving factor behind the Conservatives' proposals with a reaffirmation of previous commitments to free up land for development and reform planning powers intended to accelerate and streamline the housebuilding process.

That home ownership receives barely a mention in the manifesto may alarm many traditional Conservatives; whilst the only passing reference to protecting the green belt may raise further concerns with the core voters.

The promise of new Council Housing Deals with local authorities to help them build more social housing may sound like an unusual proposal from a prospective Conservative Government, but looks like further evidence of Theresa May's plan to target traditional Labour voters.

Transport

The most striking feature of the passage on transport in the manifesto is its length – running to just over half a page in what is otherwise an extremely dense document. Indeed on transport there are few, if any, new or particularly eye catching commitments.

As expected, the main transport infrastructure projects are to continue as planned, including the unpopular HS2 project that many Conservatives would like to have seen scrapped and the controversial expansion of Heathrow Airport which may cost them votes in the surrounding areas.

Other commitments on further investment in the road network and on electric vehicle technology may be welcome but are also unlikely to grab the headlines.

Whilst their plans for the railways were always going to look timid in contrast to Labour's promise of nationalisation, the Conservatives' plans to improve rail capacity, increase services on main lines and commuter routes and launch new services could quietly bring about the improvements in the railways that many voters want to see.

Health & Social Policy

There will be £8bn a year extra for the NHS in England by 2022-23. It is not clear though whether this is the same commitment made in the 2015 manifesto, or £8bn on top of what was committed in 2017.

Theresa May is pledging to increase the amount that non-EU migrants will have to pay in order to use the NHS; a policy nicked from the 2015 UKIP manifesto.

Interestingly, the Conservatives have also stated they will “introduce a new GP contract to help develop wider primary care services”. In its current state, it is uncertain whether that means to extend the week of GP surgeries or whether it is in reference to opening hours during the week, but nevertheless both seem to aim to provide a solution for a higher demand on NHS services.

The Conservatives have pledged to introduce a Mental Health Bill in the next Parliament, amending health and safety regulations in the workplace, and providing appropriate mental health first aid and needs assessment. Although there is clearly a compassionate front to this policy, it is also aimed at businesses; who have indicated they often struggle to identify mental health issues in their workplace.

On the funding of social care, this manifesto lays out plans for a considerable shift in the way this is funded for future generations. Increasing the threshold of assets that are retained before an individual pays for residential care to £100,000 is one of their key policies. Furthermore, Theresa May has sought to appeal to an aging population with property assets by committing to ensuring that no one will have to sell their home during their lifetime to fund their residential care. Although, the value of their care costs will be recouped from their estate upon death, this has been seen as a more dignified way to treat the elderly and to prevent their property being stripped from them to fund their care. Some Tories have already criticised this as a sort of ‘death tax.’

Brexit

On the UK’s exit from the EU the Conservative manifesto draws upon previous commitments laid out in Theresa May’s Lancaster House speech and in the Government’s Brexit White Paper, meaning that little in the way of new thinking is put forward by the party.

The most significant position taken by the Conservatives in the manifesto is the pledge that they remain committed to the position that “no deal is better than a bad deal for the UK”. Alongside this pledge the Conservatives argue that regardless of the outcome of negotiations the UK should continue to engage with the EU and maintain existing relationships with the Republic of Ireland through a frictionless border.

On trade, the manifesto reiterates the Government’s line on seeking global trade deals, and puts a little more flesh on the bone, by setting up nine new overseas trade commissioners, and the desire to create a “culture of exporting among UK businesses”.

Greater consideration is given to the future of EU law in the manifesto with the party arguing that no changes will be made until the UK has left the EU. After this date the Conservatives will re-evaluate the framework of human rights law, with the UK potentially re-examining its signature to the European Convention on Human Rights after 2023.

As highlighted above the process of the negotiations and the future of the UK after the termination of its EU membership remain underdeveloped in the public sphere. Whilst the manifesto provides greater understanding of certain aspects of the Conservative’s plan for Brexit, the negotiations with the EU over the next few years look set to provide greater detail than will be available at this election.



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