

Counting the cost of inertia

A COUPLE of years ago, no one at the top in British boardrooms mentioned cost pressures as an issue. But in recent months the topic has come very much to the fore.

Today executives are concerned about the huge surge in the cost of insurance, the knock-on effects of the high price of oil and other commodities, soaring property and pension costs, the doubling of the price of electricity and much more besides. Yet the Bank of England's monetary policy committee yesterday again voted for no change in interest rates because it could see little sign inflation might exceed its 2% target two years from now.

True, there are figures that suggest an emerging labour shortage and increasing inflationary pressure on wages and salaries. But on the other side there is a slowdown in the housing market and, if pre-Christmas trading reports are to be believed, a further easing of retail spending growth, all of which would suggest lower inflation.

And who knows what will happen to sterling against the dollar and the euro and what the net effect of all the currency fluctuations will turn out to be. It has been this way for



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months with no end of conflicting pressures and contradictory signals but no clear trend. As a result, the committee in its deliberations has just set a new record for unanimous inertia. Some of its sessions must get pretty tedious as its members sit round and agree with each other all the time.

If industrialists are right and there are cost pressures and if the committee is also right that there is no inflation in prospect, that means business is going to have to absorb those cost increases. That in turn means margins will come under pressure next year. That puts a damper on the outlook for profits growth and may well lead also to another dull year in the stock market.

Different Hugh

BIDDERS for closed insurance companies are a bit like buses in pre-Livingstone London — nothing happens for ages then three come along at once.

Resolution, which bought Royal & SunAlliance's closed funds in October did the same yesterday for Swiss Life's UK business. And today up pops a £1 billion bid from another quarter — none other than Hugh Osmond, of Punch Taverns fame, working with partners in Sun Capital.

He is buying the closed funds that belonged to Australian Mutual and, following the demerger this time

last year are within HHG, the Henderson fund management group. His business model is different from that of Resolution, which is good for vendors because they can engineer an auction. But the real winners should be the policyholders. The sector badly needs the new capital and new thinking.

Rail battler

ANDREW Gritten, who died suddenly last week and whose funeral was yesterday, deserves recognition as one of the most determined entrepreneurs of recent times.

Almost 20 years ago, he conceived the idea of a railway that would carry trucks from the North and Midlands to and through the Channel Tunnel to northern France, removing thousands of vehicles from Britain's roads. His trains would run substantially along existing rail routes and be operated by a private company Central Railway, which he projected could be highly profitable.

He sought no government subsidy or guarantee and proposed to raise all the necessary funds in the public markets. But because of our ill-conceived railway laws, a hybrid Bill had

to get through Parliament before the project could proceed. This needed the co-operation of the Department of Transport and the relevant minister. It was never really forthcoming. Instead, Central Railway was shamefully delayed by a combination of ninnyism, "not invented here" and Whitehall obstruction.

Time and again Gritten fought and time and again the political transport establishment blocked him — the latest occasion being a few months ago when Alistair Darling turned the idea down on the spurious grounds that Central Railway would not guarantee it would never seek funds from government. In fact, the company had proposed in its draft Bill to make taxpayer subsidy of its railway illegal.

Gritten devoted his life to this dream and showed an indomitable spirit in the face of decades of bone-headed resistance. His untimely death makes the way he was treated by a government that claims to favour wealth creation and building an entrepreneurial economy all the more cruelly ridiculous. His team is pledged to continue the fight to have the Darling decision overturned. But it should not be necessary.