

# The CBI really needs to learn double entry accounting a...

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As the [Guardian reports this morning](#):

*Labour's plans for a sweeping renationalisation of utilities would cost Britain almost £200bn, the Confederation of British Industry has said.*

*Branding the plans as "eye-watering", the nation's foremost business lobby group, which represents some companies that would be put into state ownership under a Labour government, said the project would add to the UK's debt levels and could come with costs to pensioners and savers.*

It is very hard not to despair at the crass stupidity of commentary like this. The CBI really should be ashamed of itself.

First, they have assumed that Labour will pay a 30% premium over the market value of these companies at present. That is because they say this is 'normal' in a takeover. But this is not a takeover. It's a nationalisation. And the market has already determined the price of the asset each shareholder owns. Good luck with trying to claim more than that in the courts, I suggest. In other words, the CBI's valuation is wildly overstated.

But, second, it gets worse. This payment is apparently a 'cost' to government. It's as if the CBI thinks that in every takeover in British history value was destroyed and the acquiring company wrote off the asset bought through the profit and loss account as an expense straight after the purchase. That, of course, is not what happens. And there is good reason for that: valuable property have been acquired, as would also be the case here. In other words, this is not a cost. It is an investment. And the investment goes on the country's balance sheet in that case. Which means it is not a cost.

Third, the CBI then claim that the interest cost of the acquisition, which would be just £2bn a year, is a burden to be suffered. But that, of course, ignores the fact that these assets acquired have earned a return to date, which is precisely why they attribute such high value to them. In that case they are more than capable of covering a £2bn cost of interest. But the CBI forgets this.

So is any part of the CBI claim as to value, asset accounting or income cost true? No: not a single part is. The CBI apparently does not know how to value assets and account for takeovers, and nor does it realise that costs might have income compared to them.

To describe their claims as a shoddy piece of work worthy of a fail in sixth form business studies is to be too kind to them. It's just incompetent.

If the CBI does not like nationalisation it will have to do a lot better than that. And understand some basic, but essential accounting as well.