ANDREW MARR SHOW
5TH MARCH 2017
PHILIP HAMMOND

ANDREW MARR: I’m joined now by Philip Hammond, the Chancellor who’s going to deliver his famous red box from Downing Street to Parliament, first budget as Chancellor. Within a couple of weeks the Prime Minister, meanwhile, will trigger Article 50 and begin Britain’s exit from the EU and yes folks, those two things are connected. The Chancellor is with me now.

ANDREW MARR: Can I start, Philip Hammond, by asking about these reports that you’re going to do something big for training? Because I’m a wizened old sod and I’ve been around for many years and every Chancellor announces he’s going to do something about productivity and training, and out there in the world nothing quite happens. So why’s it going to be different this time?

PHILIP HAMMOND: Well, we’ve got two big agendas. One is building an economy in the UK that works for everyone, making sure everybody has a chance to achieve their potential. And the other is preparing Britain’s economy for a global future after Brexit. Both of those agendas imply that we need to do significantly more in training and up-skilling our young people. So yes, it is a priority for me. In the autumn statement we focused on capital investment in our infrastructure, but if you talk to anybody operating in the economy they will tell you that the other thing we need to address is skills. So it’s a high priority and I advise you to tune in on Wednesday and see what I have to say about that.

ANDREW MARR: And are we all going to be talking about T-levels rather than A-levels in the future, is that your hope?
PHILIP HAMMOND: Well, I think the important thing is that we've got to establish genuine parity of esteem. For some people, they will study A-levels at school and go on to higher education and an academic route. Others will decide to take a technical route. And what we need to do in this country that others, the US, Germany have done years ago is create a technical route which is as rigorous, as clear in the qualifications that are achieved, and as well-understood by young people and employers as the academic route is.

ANDREW MARR: According to all the briefings today you’re spending half a million pounds on this, which isn't a lot of money – I’m sorry £500 million on this. Still not a great deal of money to perform a huge revolution, a huge transformation. Is it really a big deal?

PHILIP HAMMOND: Well, Andrew, as I know, previous Chancellors will have said to you on this programme, I’m afraid I’m not going to set out the detail of my budget.

ANDREW MARR: They always tell me everything in the budget.

PHILIP HAMMOND: That's terrible isn't it? I'm not going to set out the detail here this morning, but I do acknowledge that skills is one of the big issues that the government needs to address.

ANDREW MARR: Are you concerned – and again we’re talking briefing and economists and so forth – of course everybody thinks you’ve got plenty of money to spend this time thanks to higher than expected tax revenues Philip Hammond has a fat lot of money in his wallet.

PHILIP HAMMOND: Well, first of all it’s not money in the wallet, because we’re borrowing a huge amount of money. Remember we have over £1.7 trillion worth of debt. We’re spending over £50
billion a year just on paying the interest on our debt, that’s more than we spend on defence and overseas aid together. So this isn’t money in a pot. What is being speculated on is whether we might not have borrowed quite as much as we were forecast to borrow. We’ll see the actual numbers on Wednesday. But, Andrew, if your bank increases your credit card limit, I don’t think you feel obliged to go out and spend every last penny of it immediately. I regard –

ANDREW MARR: That depends on your temperament.

PHILIP HAMMOND: I regard my job as Chancellor as making sure that our economy is resilient, that we’ve got reserves in the tank, so as we embark on the journey that we’ll be taking over the next couple of years we are confident that we’ve got enough gas in the tank to see us through that journey, and that seems the sensible way to approach things.

ANDREW MARR: And this has been described as battening down the hatches, ensuring that you’ve got, as it were, windfall money in your back pocket should you need it. And in terms of the scale of this preparation fund, as it were, the Sunday Times has talked about £60 million, we’re talking about a lot of money, just in case things go wrong during the Brexit period. Is that right?
PHILIP HAMMOND: Well, I don’t think it’s about the Brexit period. I think any Chancellor would be sensible to try to make sure that he has enough flexibility to manage the economy on a day to day basis as we go forward.

ANDREW MARR: What assumptions are you making about the divorce payment as a result of Brexit? I mean, we hear these huge figures from the continent about 40 billion or 60 billion, and here we’ve got the House of Lords committee and your own legal advisers saying, ‘no, we don’t need to pay these people a penny.’ What’s your own opinion?
PHILIP HAMMOND: Well, I think my feeling is that we’re about to enter into a negotiation and very often you will have noticed, Andrew, that when you’re about to start and negotiation with people they set out very large demands and very stark positions ahead of that. And obviously this is a piece of negotiating strategy that we’re seeing in Brussels. But the Prime Minister has been very clear. We’re a nation that honours its obligations, and if we do have any bills that fall to be paid we’ll obviously deal with them in the proper way.

ANDREW MARR: Can I ask what sort of area of money you’re looking at in terms of preparing to pay bills to the EU?

PHILIP HAMMOND: Well, I’m not going to speculate about amounts, other than to say that we are a nation which abides by its international obligations. We always have done, we always will do, and everybody can be confident about that.

ANDREW MARR: Because it’s not just about obligations and the law is it? It’s also negotiation, as you said, and if we are going to get frictionless and free access to the single market, which we desperately want, then we might have to pay for that. That would be part of a deal. We’ve got the money, they’ve got the market access, and that is where the deal will be.

PHILIP HAMMOND: We’ll be leaving the European Union. We’ll be out of the single market and we don’t expect to be making large payments in future. But we may choose to participate in some programmes and some areas of activity with our European neighbours, and if we do so we’d expect to make a proper contribution to those activities.

ANDREW MARR: We’re in a slightly strange position at the moment as a country, because clearly the economy is going better than a lot of people, including yourself, thought it would be
doing at this point after the Brexit referendum vote. And yet in the public sector, across the public spending curve, people are screaming with pain at the moment. And so can I ask you in particular about social care, which has become a really, really big political problem, not just for the government, for the whole country. Are you going to do something for social care? But more importantly, do we need to think about this entirely differently?

PHILIP HAMMOND: Well, first of all, as you said, the economy is performing extremely well. Much better than many people projected that it would, and that’s extremely good news, gives the Prime Minister a very strong hand as she goes into the Brexit negotiations. But we recognise that our public services are under pressure to deliver the efficiency agenda that we’ve set out. I recognise, in particular, that social care and local authorities delivering social care are under some pressure. This isn’t just about money. We should remember that there are many authorities managing extremely well. There are many examples around the country of extremely good working between the NHS and social care authorities. Just 24 local authorities account for 50 per cent of all the delayed discharges from the NHS. So it’s about good practise as well as about budgets.

ANDREW MARR: It is also about budgets. As you know, Conservative councils are looking to put up council tax to meet the social care obligations. So I ask again, is this not something that as a country we need to think again about how we fund this? You know, the country’s getting older, we’re all getting older, the social care bill is just going to go up and up and up. And budget after budget, you know, sticking plaster solutions may not be enough.

PHILIP HAMMOND: Well, I think there is a case for a longer term – taking a longer term view of how we fund a service which is intrinsically linked to the demographic profile of the population,
and we know that we are an aging society, so the demands of social care for the elderly are going to get greater in the future. And yes, there’s a very good case for taking a strategic look in the round at how we deal with this problem over the longer term. I think that is a separate issue from dealing with the short term disparities that are occurring between areas that are coping very well at present and other areas that are struggling. We have to look at what the differences are there.

ANDREW MARR: Can I ask you about progressive politics and whether after this budget has been delivered and the number crunchers have pored all over it they’ll be saying yet again this is actually a regressive budget? You’ll have seen the Resolution Foundation curve, which shows that people at the bottom of the heap, the just about managing that this government says it was going to be in favour of, the working poor, are going to have a really tough time in terms of their incomes over the remaining years of this parliament.

PHILIP HAMMOND: Well, first of all I don’t recognise these numbers. Various bodies publish various numbers which exclude certain things. What we look at, the Treasury looks at, is the effect overall of tax, spending, benefits, targeted public spending on different groups, and there are some ... (talking together)

ANDREW MARR:... take it into account, the Resolution Foundation.

PHILIP HAMMOND: Well, with respect, most of these figures do not take all of this information to account. For example, the IFS excludes both the top and the bottom three per cent of the income distribution. It doesn’t include all areas of taxation. It doesn’t include all areas of government spending. But there are some very big steps about to happen as we go into 2017-18. We’ve got a further step of increase in the personal allowance which takes more people out of paying income tax. We’ve got a
big programme of investment in childcare. The government, by the time this programme is rolled out, the government will be spending six billion pounds a year on free and tax-free childcare for families across Britain. That’s a huge boost to real family incomes.

ANDREW MARR: The Resolution Foundation takes both of those things into account when it shows that people at the bottom of the heap are going to get poorer and considerably poorer, by 15 or 16 per cent during the course of this government. Isn’t John McDonnell right to say that there needs to be a national pay increase, you need to look again at the living wage and raise that?

PHILIP HAMMOND: Well, with the greatest respect to John McDonnell, we delivered the national living wage. We’ve delivered that pay increase, and anybody who is on the national living wage over the last two years, by the time of the next increase to £7.50 in April, will be receiving £1400 a year if they’re in fulltime work more than they were earning two years ago. So we’ve seen actually people at the bottom of the income distribution, the bottom fifth, seeing the biggest increase in real wages in the last data that’s available.

ANDREW MARR: The other thing that you could do is reverse the cuts to universal credit. Iain Duncan Smith, no less, called for this. And a lot of people this is simply something which is unfair to people who are doing their damnedest, working very, very hard, going out to work and are yet being penalised by the government quite hard?

PHILIP HAMMOND: Well, at the autumn statement, you’ll remember that we did reduce the taper rate in universal credit from 65 per cent to 63 per cent. That’s an income boost for three million people on lower incomes. But there’s always this challenge: if you have a generous system of benefits for people,
as they move into work somehow you have to taper those benefits away, and getting that right is always a challenge. But obviously it’s something we will keep under review in future.

ANDREW MARR: The same sort of question about the cuts to the disabled or the lack of increase for disability. A lot of people think that is particularly cruel, that £3.7 billion shift is a particularly cruel thing to be doing.

PHILIP HAMMOND: Well, this isn’t a shift at all. The government was very clear about the policy intention. A court has found the policy, the legislation, lacking in clarity, and what the DWP Secretary of State had decided to do is to legislate to be absolutely clear about the original intention of parliament. But nobody’s going to lose any benefit here. There is nobody with a benefit who is going to lose it as a result of this. But this is a large amount of money which is part of the benefit reforms that we’d already announced and we’ve said very clearly we have no plans for further benefit reforms during this parliament. But in order to make that statement we do have to be clear that we have to deliver the benefit reforms that have already been announced and legislated form.

ANDREW MARR: You’ve talked a little bit about Brexit. Can I ask you about something you said in Germany about what might happen if we don’t get a deal and I can read this out to people. You talked about you want to remain ‘in a recognisably European style economy with European style taxation etcetera,’ you say. ‘But if we are forced to take something different then we will become something different. We could be forced to change our economic model. The British people are not going to lie down and say, too bad, we’ve been wounded.’ What is the alternative economic model that you’re talking about there?
PHILIP HAMMOND: Well first of all I’m very clear there and the Prime Minister’s been very clear that we want to do a deal with the European Union, we expect to do a deal with the European Union that will allow us to continue trading together and allow our economy to remain recognisably in the European mainstream. The point I was simply making is that if there’s anybody in the European Union who thinks that if we don’t do a deal with the European Union, if we don’t continue to work closely together, Britain will simply you know slink off as a wounded animal that is not going to happen. The British people have a great fighting spirit and we will fight back. We will forge new trade deals around the world, we will build our business globally. We will go on from strength to strength and we will do whatever we need to do to make the British economy competitive and to make sure that this country is a great – has a great and successful future.

ANDREW MARR: Because when you say we’ll do whatever we need to do, a lot of people read that as we’ll slash Corporation taxes, we’ll go to a low tax, low regulation, Singaporean style of economy.

PHILIP HAMMOND: Well, people can read what they like into it. I’m not going to speculate now on how the UK would respond to what I don’t expect to be the outcome. But we are going into a negotiation. We expect to be able to achieve a comprehensive free trade deal with our European Union partners, but they should know that the alternative isn’t Britain just slinking away into a corner.

ANDREW MARR: A lot of this is about the tone of the negotiation. Don’t you think the government would be much wiser and shrewder to accept what the Lords has done on the status of EU nationals and allow that to be on the face of the Bill, because that’s a way that you could get good will and start these negotiations off in the best possible spirit?
PHILIP HAMMOND: Well I think we already have good will and we’ve already been very clear with our European partners that we are willing to settle this issue right up front in the negotiation. It isn’t us that has refused to take this matter off line and deal with it reciprocally at an early stage, it’s other members of the European Union that didn’t want to take it out and deal with it separately. We are very clear. We want a deal on citizens and we want a deal that’s fair both to EU citizens in the UK and to British citizens living in Europe.

ANDREW MARR: Okay, can I ask you about a couple of other things. How worried are you that Northern Ireland is going to break away from the United Kingdom as a result of the elections and as a result of their enthusiasm for staying inside the single market, like Scotland?

PHILIP HAMMOND: Well, the union is extremely important to all of us but Northern Ireland in particular benefits hugely from the union of the United Kingdom. Northern Ireland has four times as much trade with the UK as it does with the Republic of Ireland so the union is vitally important economically, but it’s much more than just an economic issue. This union has made us strong and successful over many, many years and the union of England, Scotland, Wales and Northern Ireland will go on driving that strength and success in the future.

ANDREW MARR: Channel 4 News have done sterling work in pursuing the Conservative Party about election irregularities. Do you think you’re going to face by elections as a result of what’s coming?

PHILIP HAMMOND: Well, the party has already acknowledged that we made an administrative error in the way some of the returns were made. In fact we drew that error to the attention of the
Electoral Commission and the due process has to be followed through and we will cooperate fully with the Electoral Commission doing that.

ANDREW MARR: John McDonnell wants you to publish your tax return. Will you?

PHILIP HAMMOND: No. I have no intention of doing so. Just for the record by tax affairs are all perfectly regular and up to date, but I think this –

ANDREW MARR: David Cameron did, didn’t he?

PHILIP HAMMOND: - this demonstration politics isn’t helping to create a better atmosphere in British politics and I note that the Labour Party is now proposing a policy that anybody earning over a million pounds, which I, as a Cabinet minister certainly am not – will have to publish their tax returns, make them public. That is likely to drive away talent and investors that Britain needs to create the global future that we’re trying to build.

ENDS