The race for London Mayor is certainly attracting lots of attention even outside the capital. A national paper this week commented "Love London or hate it, we shouldn't downplay its importance to the UK economy and that is why we must all pay more attention to the mayoral election. Whoever wins will have a nationally important impact." And if it's Ken Livingstone that would make him the single most senior elected Labour politician in office in the country. He's promised to slash tube fares, but his critics say that such a move risks crippling the recovery and damaging the overall economy. Welcome.

KEN LIVINGSTONE:

Morning.

ANDREW MARR:

Now you would like to cut fares by 7 per cent. It's said that this would cost £1.12 billion and this is not a Tory Party operation, but it's ...

KEN LIVINGSTONE:

(over) Over four years.

ANDREW MARR:

Over four years?

KEN LIVINGSTONE:

Yeah, over four years.
ANDREW MARR:

And the question is, therefore, to cut fares - which I'm sure everybody would like - you will have to pull back some of the improvements that the tube needs?

KEN LIVINGSTONE:

If that happened, I wouldn't do it. I mean we need to get it in perspective. It's £270 million a year to do that 7 per cent fares cut. That's 3 per cent of the transport budget, and if you're unable to find 3 per cent of savings and efficiencies in a budget that size, you shouldn't be in public office. But we've actually got a cash mountain inside TFL. Just in the first nine months of this financial year, there's a £300 million surplus in the fares budget.

ANDREW MARR:

But there's also a big charge on that which brings the surplus down to much less than that. My question really is, going back to the start, so if you're elected and you look at the numbers again and you go through the actual costs and you find that you would have to delay or indeed cancel improvements to the tube, you wouldn't cut fares by 7 per cent?

KEN LIVINGSTONE:

But we're only eight weeks away from the election. I know what the budget's like. I've had someone working on the figures, going over them. Each year that Boris Johnson's been Mayor he's under-spent the investment budget. We have a surplus in the fares account; we have underspend on investment. And all the projects underway are the ones that I started the funding for. Boris Johnson has only started one real transport project in his term and that's the cable car across the River Thames. And that's not a big job and it also is turning out to be the most expensive cable car in human history, I have to say. So I will start working on new transport schemes, but they won't get off the ground until the last year of the mayoralty, and by that time I hope I'll be working with Ed Miliband rather than David Cameron.

ANDREW MARR:

But I mean you know certainly in terms of public perception
the Boris Johnson years have brought the Boris bike. You know it may have been your idea, but his name is now stuck indelibly on it.

KEN LIVINGSTONE:

Well it would have been different. It's quite different because it's turned out to be £12,000 per bike and docking frame, so if you wanted to roll it out across the whole of London, you're going to spend a billion pounds. Everything that Boris has done is turning out to be the most expensive in the world. Instead of spending £300,000, which is what you pay for a normal double-decker bus, his new buses are £1.5 million. I mean the small number of things he's done have all ended up being very high price because he doesn't do the detailed work on it.

ANDREW MARR:

Yes. You are making some very expensive promises too. Educational Maintenance Allowance, you want to bring back in London, and you say it's other people's money and they may not want to spend that money on EMAs.

KEN LIVINGSTONE:

No, no, we've been talking to colleges and universities in London. They have bursaries, small funds that together - you could bring them together in one central scheme run by the Mayor's office. You can reinstate EMA in London without any charge to the public sector. That money is sitting there. What you haven't got is the administration to distribute it. Boris Johnson could have done this if he did the day job and got on with the work.

ANDREW MARR:

But nobody has signed up to this, have they yet?

KEN LIVINGSTONE:

Well nobody's going to come out and say before the election I mean we've got this money to give you. We've been meeting with them privately. Of course the outcome of the election is uncertain. It's neck and neck. They don't want to get it in the neck from Boris if they're seen to be supporting me.
ANDREW MARR:
But the Mayor can't force this, can he?

KEN LIVINGSTONE:
No, can't force it.

ANDREW MARR:
No.

KEN LIVINGSTONE:
But literally we've had a really good working relationship with the colleges and universities. They want these kids to be able to finish their education.

ANDREW MARR:
Right, okay. Now you were very characteristically forthright about rich so-and-so's - I can't say the actual word ...

KEN LIVINGSTONE:
(over) No, not on a family programme.

ANDREW MARR:
... can't say the word - who avoided tax both legally and illegally. And then it turned out that you yourself have taken £270,000 and put it into a private company which means that you pay corporation tax at 20 per cent and not income tax at 50 per cent.

KEN LIVINGSTONE:
I'm in exactly the same position as everybody else who has a small business. I mean I get loads of money, all from different sources. You give it to your accountant. They manage it. But you pay corporation tax. If you're then taking it out and spending it on yourself, you have to pay more. What I'm not doing is paying income tax on the money I use to employ other people. I mean the papers gone ...

ANDREW MARR:
(over) But the straightforward thing most people would do is simply be paid and then you pay income tax on what you're
paid. You don't create a company.

KEN LIVINGSTONE:

(over) Oh no, no ev...

ANDREW MARR:

(over) And the real reason for the company is to avoid paying income tax.

KEN LIVINGSTONE:

No, no, everybody who is not directly employed by someone has to have somebody to manage their accounts. You set up a company, the money all comes in, the accountant sorts it out.

ANDREW MARR:

You can't blame ... No-one can blame their accountant for these things.

KEN LIVINGSTONE:

I'm not blam... That's what you do. If I was trying to manage ... I mean I've never had you know a vast sum of money from only one organisation. I do after dinner speaking, I do TV stuff and all of that. It all comes in. You've got to have it properly managed by an accountant, and at the end of the day I end up paying the same amount of tax as I would do if you know I'd taken the money out myself in income tax. But I employ people. I mean that fare scheme we've come up with, it took someone, a talented economist to sit down and spend a lot of time going over the books. I've got people handling the media. I employ at the moment two people. No-one is paying income tax on the money they use to employ people. If we did, unemployment would double in this country.

ANDREW MARR:

And yet so many of your natural supporters are offended, disappointed, and would like you simply to pay some money back from this.

KEN LIVINGSTONE:

No, I've paid all the tax on the money that's come to me. But I'm running a small company. I employed my wife for three years to sit in the attic and type up my autobiography, 700
pages, organise everywhere I go. I'm paying the normal rate of tax on the money I take out for myself. But the simple fact is the hypocrisy of all of this is Boris Johnson had exactly the same arrangements to handle his earnings from television. Almost everybody in the media who's not employed by one person directly has the same arrangements. And step back in ...  
ANDREW MARR:  
(over) I'm not sure if that's true, I'm not sure if that's true. I think this is ... I mean certainly it's one of those arrangements that accountants have sort of pressed on people, but nonetheless it is a way ... in the end it is a way of avoiding paying income tax.  
KEN LIVINGSTONE:  
If you want to avoid tax, you need to have some offshore account like the Barclay Brothers who are billionaires, own the Telegraph, employ Boris Johnson, pay him a quarter of a million pounds a year. They don't pay a penny of tax in Britain.  
ANDREW MARR:  
Yeah.  
KEN LIVINGSTONE:  
I'm not offshore. I mean I'm running a small company just like any ... hundreds of thousands of other people.  
ANDREW MARR:  
You said that nobody should be allowed to ...  
KEN LIVINGSTONE:  
(over) Avoid tax.  
ANDREW MARR:  
... vote in a British election or sit in the British Parliament ...  
KEN LIVINGSTONE:  
(over) Yuh.  
ANDREW MARR:
... if they were dodging tax or avoiding tax ...

KEN LIVINGSTONE:

(over) Absolutely.

ANDREW MARR:

... and people would say that is what you have got hoist with.

KEN LIVINGSTONE:

No, that's the smear campaign currently being run. When I sit down and explain it to people ... I mean last year, in the last twelve months I've earned £55,000. I've paid the full rate of tax on all of that. I'm nowhere near the top rate of tax. But look where this smear's coming from - exactly the same journalist who four years ago (and you asked me about this four years ago) all those headlines, I was corrupt, my staff were corrupt, millions had gone missing. Two years later, after a police investigation, not a single one of those charges was stood up, no-one was convicted. No-one was even formally charged with anything. It is a smear campaign because Boris Johnson's team want to talk about anything except cutting the fares because his supporters in the suburbs are the ones hit the hardest by these huge fare increases and we've seen this week the government and Justine Greening, the Transport Secretary, all starting to talk about there might have to be a hyper charge for fares at the absolute peak hour. If I'm elected, it's a referendum on fares and it'll be saying to the government stop using fares as a stealth tax.

ANDREW MARR:

If you're elected, it's also a referendum in a sense on the Labour Party. How important is your election, your success or failure in a few weeks time, in terms of gauging what's happening to Labour nationally?

KEN LIVINGSTONE:

Oh huge, huge national significance. I mean if Boris Johnson is re-elected in eight weeks, you'll have Cameron and Osborne on your programme on the Sunday morning saying this is a vote of confidence in where we're taking Britain and a rejection of Ed Miliband. And, therefore, winning on this fares issue. I think for a lot of people it will also be a referendum on
the NHS cuts and also the direction they're taking the country. I don't know how many people realise this, but two thirds of all the jobs we've lost in this recession have been in construction. What we should see in this budget is a real house building programme to get people back to work. We've got three quarters of a million families on the waiting list in London. The obvious way is not a debate about whether you have a mansion tax or carry on the top rate of tax.

ANDREW MARR:
Yeah.

KEN LIVINGSTONE:
It's putting people back to work with a public works programme.

ANDREW MARR:
So what is the single thing that you think would do most to help Labour nationally in terms of selling itself?

KEN LIVINGSTONE:
I think we've got to come out very clearly. We want to build ... put people back to work. Build homes, upgrade our rail system - all the sort of things that Franklin Roosevelt did to lift America out of the Great Depression. You put people back to work.

ANDREW MARR:
(over) So a big growth strategy.

KEN LIVINGSTONE:
(over) They start paying tax, they come off benefit. Get people back to work. And there's literally ... It isn't just in London. All over Britain people are on council waiting lists with no prospect of getting a home. We could build those homes. You give a family a decent home to live in. Their children have got a bedroom to do their homework in, their health improves. Huge benefits as well as getting people off the dole and back into jobs.

ANDREW MARR:
Alright, Ken Livingstone, thank you very much indeed.

KEN LIVINGSTONE:

Cheers.

INTERVIEW ENDS