ANDREW MARR:
As we heard earlier, the Business Secretary Vince Cable’s come in for some heavy duty criticism over the sale of Royal Mail. His critics say it was botched and that, as a result, he’s cost us all a billion pounds. Today Mr Cable is announcing changes to how Britain deals with mergers and takeovers from abroad and the Business Secretary joins me now. Welcome. Well let’s start with this. This goes back to the great row between AstraZeneca and Pfizer when, apparently, commitments were made about how long the research aspects of the company would remain in this country, jobs and so forth. Now that unravelled. Why do you need to change the law?

VINCE CABLE:
Well I’ve been reflecting on that experience. We’re probably going to get other big takeovers coming down the track and I think there are two big lessons from that experience. One is that it’s actually good for Britain to have inward investment – we’ve had very good foreign companies investing here, the Jaguar Land Rovers of this world. We want more of that. On the other hand, there will be cases – and this was one – where there are vital national interests – in this case large-scale investment of R&D. The question is how you protect it. What the Government did then was to engage in negotiations to seek assurances, and I think where we now have to
strengthen that is to make sure that any commitments made, there’s no wiggle room. And we’re talking to the takeover panel about how to do that and we may well get into the area of having financial penalties in order to make sure that those commitments are binding.

ANDREW MARR:
So, for instance, if I want to take over a British company and its headquarters and its R&D are in say Croydon, and I say I will keep the R&D in Croydon, that then becomes a legal responsibility on me and I can be sued if I don’t comply?

VINCE CABLE:
Yeah that’s a good precis. We did get some very good assurances from Pfizer in this particular case, but the question was raised are they binding …

ANDREW MARR:
Are they binding?...

VINCE CABLE:
… are they meaningful? There is wriggle room in the existing rules and we want to deal with it in such a way that there is no escape clause.

ANDREW MARR:
And you need to change the law to make that happen?

VINCE CABLE:
It looks as if we will have to; and if that is the case, we can move quickly to introduce new legislation. There’s agreement across government that that’s something we should do. But there’s another dimension to this. Supposing the company don’t want to negotiate or they’re not willing to give the assurances you need. What do you do then? And I think you then need some fallback powers. You need a last resort where the Government can intervene, can invoke the public interest under the existing legislation. What I would argue, and the Liberal Democrats’ view within the Coalition, is that we need to do this as it were with a laser missile rather than a cluster bomb, which was the approach which the opposition …
(over) Right. Because the question is what is the national interest? Is it simply jobs, is it special R&D issues? What is the national interest? I think the TUC have suggested some arm’s length body who come in and adjudicate on national interest grounds. Is that sensible?

VINCE CABLE:
Yeah well the problem with that kind of approach is that we’re governed by the existing law, but also by European merger and takeover regulation, so we can’t just arbitrarily choose things. But we are going to need a last resort power, such that if there is something that is very clearly against the national interest - and the loss of our R&D and pharmaceuticals are a very good example – the Government can in those circumstances intervene. I made it very clear when the original takeover was taking place that we were reserving all our options and we need to …

(over) So that is also new and separate legislation?

VINCE CABLE:
That would be. And I say in the first case we’re going to proceed as a Coalition to deal with that. In the second case, I am putting this forward. These are my views, Liberal Democrat views. We …

(over) Right, so in …

VINCE CABLE:
(over) A lot of Conservatives would agree with it, but we haven’t got to that point.

ANDREW MARR:
You haven’t won agreement inside the Government about that at the moment?

VINCE CABLE:
Not at the moment, no.

**ANDREW MARR:**
Now you may have heard the Archbishop of Canterbury today saying that he thought that it was a moral question: the better off should contribute more either voluntarily or through the tax system. Do you agree with him?

**VINCE CABLE:**
I do agree with him. I mean I don’t speak, like him, with the authority of God, but we have had growing inequalities over many years. I mean under this government actually income inequality has narrowed somewhat, but over the last few decades we’ve had growing income inequality and extreme wealth inequality – mainly because of what’s happened over property. It should be dealt with. I mean in terms of my own role, I brought in legislation some time ago to deal with executive pay. There are now binding shareholder votes. You had an example at the end of last week where a very, very large pay award …

**ANDREW MARR:**
*(over)* The boss of Burberry was …

**VINCE CABLE:**
*(over)* Indeed. It was rolled back because it was completely unrelated to performance and it showed the legislation was working. So in a practical way …

**ANDREW MARR:**
And you want to see more of that kind of thing happening, more votes like that?

**VINCE CABLE:**
Very much so. We want to see shareholders – and mostly you know pension funds, insurance companies who represent millions of people – being actively involved. They now have a binding vote and we want to see them using it. They are using it and I think it is moderating extreme inequalities at least in remuneration.

**ANDREW MARR:**
Would you sit in a government which cut the upper rate of tax from 45p?

VINCE CABLE:
Well I don’t think actually that’s the critical issue. I think 45p is the right rate. But under the Labour Government and with the support of all parties, we had a 40p rate, and I think the argument that I’ve made in the past and my party has made is that …

ANDREW MARR:
(over) Go back to the mansion tax and capital tax?

VINCE CABLE:
It’s much more important to tax inequalities of capital, of wealth, and that’s why the mansion tax concept – which is properties over two million paying a little bit more on that extra amount …

ANDREW MARR:
(over) It’s interesting, looking ahead, that you and the Labour Party now seem to see eye to eye on the mansion tax.

VINCE CABLE:
Well on that particular policy. Of course lots of things that we do disagree with the Labour Party, but they have caught up with us on that particular policy, yeah.

ANDREW MARR:
So a Lib-Lab Coalition would introduce a mansion tax quite clearly?

VINCE CABLE:
Well nobody’s talking about a Lib-Lab Coalition. (Marr over) I think it’s unlikely to happen. It’s a hypothetical possibility, these things could happen. All kind of alternatives after the next election. We’re not pre-judging that.

ANDREW MARR:
Over the past week we’ve seen a lot of stories, particularly in The Times, about aggressive tax avoidance schemes which are legal but are very much on the edge and
are used by famous actors and singers and celebrities and broadcasters and all sorts of people. Do you think the law again needs to be toughened in that area, so that these kind of schemes can’t happen, and that there should be naming and shaming if people are engaged in them?

VINCE CABLE:
Well it should and it is happening. The principle which we’re beginning to implement, and certainly my party would go further on this, is to have a general anti-avoidance provision in the tax system, where if it is the case that people are acting in a way that was clearly against the will of Parliament, then the Inland Revenue, the authorities can pursue them in an aggressive way. In the past they’ve been given the benefit of the doubt.

ANDREW MARR:
And does the law need to be changed to allow that to happen?

VINCE CABLE:
Well it would need probably a stronger general anti-avoidance rule. We have one that’s gone through Parliament at the moment. It could be beefed up.

ANDREW MARR:
And so what’s your message to all of those well paid people looking around talking to accountants and being told there’s a very interesting scheme in the Cayman Islands and so forth, what’s your message to them?

VINCE CABLE:
Well if people do a good job, we want them to be well paid. We’re not trying to eliminate that. But if people are trying to cheat …

ANDREW MARR:
Okay.

VINCE CABLE:
… and avoid tax, which they know they ought to pay, they should be stopping that.
ANDREW MARR:
… let’s turn to the issue that David Mellor raised earlier on. MPs say that you have cost the taxpayer a billion pounds by mispricing the Royal Mail privatisation and that you should be resigning for that. Or at least apologising for it.

VINCE CABLE:
If we put aside David Mellor’s snide personal comments and just concentrate on the issue, I don’t think he or indeed many other people actually read what that committee report said. Its first and major conclusion was that we had achieved our objectives, which was to take the Royal Mail …

ANDREW MARR:
(over) But you …

VINCE CABLE:
(over) Let me just finish. … and bring in private capital, so that it can continue to deliver the universal service obligation. There was a real risk this would never happen and you, the taxpayer, would have then been left with billions of pounds of liabilities. Now the argument has been about the price …

ANDREW MARR:
Yes, absolutely.

VINCE CABLE:
… and the issue here … I mean it’s all very well to be you know wise with hindsight; it’s facile. At the time, it was very clear under the circumstances in which we made the sale that the correct judgement was made, and that was the view of the independent advisers, it was as a result of extensive market survey, it was the advice of the officials, it was the advice of the Conservative minister who was responsible for the sale that we could not sell large amounts of sale at a high price.

ANDREW MARR:
So you got it right? You’d do it all again and you got the price right?

VINCE CABLE:
Under those circumstances that we were operating, there was no alternative but to do what we did.

ANDREW MARR:
Alright, Vince Cable, for now thank you very much indeed.

VINCE CABLE:
Thank you.

INTERVIEW ENDS