

RISHI SUNAK

ANDREW MARR SHOW

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RISHI SUNAK MP, CHANCELLOR OF THE EXCHEQUER

****Please note that this is a rough transcript and words should be checked against delivery****

AM: Mr Sunak, welcome. Can I ask first of all, you saw those scenes yesterday, what's the government's reaction?

RS: Well, I think you saw the prime minister tweet about this. He called it 'racist thuggery. It's unacceptable.' I completely agree with him. It is both shocking to see and absolutely disgusting to see some of the things that happened yesterday. I find it abhorrent and I fully support the police in doing everything they did yesterday. I'm sad they had to do that, but they deserve all our support. And I know the country will probably join me in being united in condemning what we all saw yesterday.

AM: Let's turn to the economy, and we can start, if I may, by looking at the chart the organisation, the Office of National Statistics, has produced on what's going on in the UK economy. And you can see it's growing and growing and growing. A slight blip during that 2008 terrible period with the banking crisis, and then on the right-hand side, that appalling plummet. For people watching this is a very grave moment isn't it?

RS: Yes. I mean, we've known for a while that the lockdown was going to have a significant impact on our economy. That's not been a secret. But obviously these numbers are now starting to come through so it's started to become more real. But remember it's more than just the numbers on that chart, it is people, their family security, everyone who's losing their job or will lose their job is going to be deprived of that opportunity to provide security for their family. That's something that weighs very heavily on me. And charts like that remind us of the hardship that this country has endured over the last few months.

AM: And you are, by some measures, the most popular politician in the country at the moment. But maybe that's not surprising, because you're paying nine million people's wages and in fact I think about a third of the entire UK economy is now being paid for one way or another by the government. But when it comes to the autumn things are going to look very different aren't they?

RS: Yeah, well, when we got into this crisis it was clear there was going to be an enormous hit to the economy, and the chart illustrates that. But what we decided to do and what I decided to do was to take quite significant and unprecedented action to try and support both businesses and individuals and their families through this crisis. It's no fault of individual people that they can't go to the job that they love doing, it's no fault of the individual business that they were being told to shut down during this pandemic. And so I thought it was both morally right, but also the right economic thing to do to provide an enormous amount of support to help all of those people and businesses to stay together. And as you said, the furloughing scheme has protected around nine million jobs, a million businesses, two and a half million self-employed people. Those are the right things to do and the situation would be far worse if we hadn't done that.

AM: And what you call that enormous amount of support equates to more money than you're spending on the NHS. It clearly can't go on forever. But as you start to withdraw from the furlough scheme bit by bit, that is inevitably going to mean more job losses. It's going to mean unemployment going up isn't it?

RS: You're right. It's not sustainable to carry on doing that. I think actually there's a general consensus about that across probably the political and economic spectrum. What we decided to do was extend the scheme out through to the autumn. It will run in total for eight months, which I think is a generous period of time to provide support. And it will, towards – starting next month, allow companies to bring back furloughed workers on a part time

flexible basis. It was a big call that businesses had. And we think that will help drive the recovery. It will take time for shops, as they reopen, to ramp back up, so this will give them that extra bit of support during that period.

AM: But meanwhile it's going to be pretty bleak. The Institute for Employment Studies says, for instance, unemployment right now, they think, has almost certainly reached three million, the highest since the 1980s. 'We think that it's more likely than not that by the autumn the level of unemployment will be higher than it has ever been in our history.' Is that what we're facing as a country?

RS: I've always been very clear, despite the unprecedented action that we've just been discussing, there's no way I can protect every single job and every single business through this. There is going to be hardship ahead. But I think as we think about the next stages of our economic response and the plan that we're putting in place – we took the action we did in the short term – I think the next stages of that plan are to safely reopen our economy. The best way to protect those jobs, say, for example, the millions of people that work in retail or hospitality, is to reopen those sectors. That's what we're able to do starting tomorrow. Shops across the country will be able to reopen. That's going to help protect all the people that work in those shops, allow them to get back to their jobs. And hopefully we can do the same for the hospitality and leisure sectors in early July. And we can do that because we've met the tests that we set out last month in the prime minister's plan. We've made progress so we can take these next steps.

AM: I started earlier on in the programme by saying that no Chancellor in history has faced conditions like this. But would you regard it as a personal failure if unemployment was the highest ever under your Chancellorship?

RS: Well, what we do know is that we're dealing with something that's unprecedented. And it is going to have an impact on our economy and that's one of the costs of suppressing the virus. We

have to lock down our country and our economy for three months, that's going to have enormous costs. Not just on unemployment, by the way, but on people's long term health. Even right now we know people are not seeking the health conditions they want and all the other things that are happening. But what I do know is the situation would be far worse if we hadn't acted in the way that we did. That's something that the office for budget responsibility, the Bank of England, the IMF and others have all acknowledged. And I think the situation, although it will be difficult, will have been far worse if we had not acted in this way.

AM: Apart from having the highest per capita death rate of almost any country in the world, the OECD thinks that we will have one of the worst outcomes economically as this unwinds. Why do you think that is?

RS: Well, I think if you look at that report that's probably not quite how I would characterise the report. Yes, they did say that our – the impact on our economy this year would be particularly significant compared to our large economy peers. So the reason for that, and they explained, was because we are more than most other economies predominantly a services economy. Obviously we are going to be more impacted by a situation where we're shutting down that activity: retail consumption, hospitality. That's the first thing and I think is an important thing. But it's also important to note the report talked about the recovery and we also are forecast to have the strongest recovery out of all those large countries that they looked at. And if you put those two years together and look at what happens to us, actually we emerge close to the top of the list over that time period. And if you look at the impact on employment, which you rightly highlighted, and we care about people's jobs, the record there is again much more positive.

AM: You mentioned retail and hospitality there. Now, as you withdraw the furlough scheme the hospitality industry is going to be in a particularly parlous situation. Many of them are very, very

worried. David Moore, who's a London restaurateur said this to the BBC this week, he said, 'it's massively disappointing and sheer lunacy to try to get an industry which hasn't had any revenues for probably five months to start contributing. If we don't have money coming through the door a lot of businesses are heading down the pan.' What do you say to him?

RS: Well, first of all, I'm incredibly sympathetic to his situation, and the situation of millions of small business owners who have had their restaurants or their pubs closed down – or small shops – as a result of all of this. That's why we've put in place significant support for those businesses actually. We've cancelled all their business rates for the entire year, not just for this period, which is normally one of the big asks from the sector. We've provided cash grants of ten or 25,000 pounds to these businesses. And we've also given them access to discounted government-backed loans, which they have taken up in considerable volume. But going forward, the best way to help him and everyone else is to reopen their businesses and that's why, starting tomorrow, we are making progress on that.

AM: But you also know – and this will have a huge effect on the number of businesses that survive and the number of jobs that survive, that relaxing the two metre rule is going to be essential. Pubs and restaurants up and down Britain cannot survive if you keep it in. Now, I know that scientists have advised keeping it, but surely quite soon you're going to have to change direction on that or see a terrible, terrible economic hit to the hospitality and entertainment industry.

RS: Well, we keep all of these measures under review. The prime minister has now confirmed that we will actively review the two metre rule. That review now will be conducted, it will be conducted in – it'll be a comprehensive review, it'll be conducted very soon. We'll start now and we're obviously done preliminary work. It will be done with the involvement, obviously, of our scientists, but of course economists as well. And you're right, and

I understand – I talk to businesses all the time – it has an enormous impact on their ability to operate profitably and also then maintain that employment that we care about. It also has an impact for public transport, schools and many other things. But much as I would like to see it reduced – everyone would like to see that reduced from an economic perspective, we can only do that if it's safe and responsible to do so. Which is why we should look at it now, given we've made progress in the epidemic, we have suppressed the virus and we can see around the world many other countries are using something that is less than two metres, and indeed a couple of countries have actively moved from two metres down to something smaller. But we'll consider it all in the round.

AM: We can see where this is going, but we also know that people like Chris Whitty have been absolutely clear that it shouldn't be removed. He says, 'the two metre rule is going to carry on for as long as this epidemic continues. It's essential to maintain two metres.' Is this the moment where you say, yes, you're a very bright guy, you understand the science and the medicine, but you don't understand the economy. There's a bigger picture here, and as a politician this is the time to move beyond the science?

RS: Well, I think Chris Whitty and Patrick Vallance are not just bright guys, they're also people who are motivated to do the right thing for our country. And you know, I pay enormous tribute to all the work that they've done. And I think actually if you speak to them, as I do regularly, they would say it's not a binary situation. There's obviously a different degree of risk at different levels, and it's a question of looking at all of that in the round, in different settings and indeed where we are at this phase of the epidemic.

AM: It's a very, very hard judgement call. I understand. Lots of people watching will be wondering about whether to go out and all the rest of it. You could strike, as it were, a deal with the science side and say in return for relaxing the rule you insist that

virtually everybody wears face coverings when they're shopping or out in the street.

RS: Well, look, Andrew, that's a fair point, and that's exactly – we will discuss all these things as part of this review. You've seen, on face coverings, for example, we have made some changes in that direction. For example, on public transport, for example. Imminently about to change. So I think all of that's the kind of thing that we will discuss. But can I just go back to one point you said about people having the confidence to go out and know you're safe..

AM: The ONS say 36 per cent of people in England are still too scared to leave their houses. And my question is going to be how do you expect them to go shopping?

RS: Well, I think this is incredibly important, and I understand that anxiety. For the last three months we've all been sitting at home we've been worried about going out. And I think it's important now that people do have that confidence to go out, especially as we start to reopen these parts of our economy like shops tomorrow. And why should people have that confidence? Well, they can have it because we've made enormous progress and that's thanks to everyone's sacrifice. We've met the five tests that the prime minister set out in the road map last month, and people should take great comfort from that. But also I know, and I've seen first hand, all the retailers, big and small, have taken extraordinary steps to make sure that those environments are safe for us to come back to. And those who go out tomorrow will see a different shopping experience. There might be one way systems, a different method of return, screens up, obviously social distancing, limits on the number of people in stores. You know, all of that will mean that people can feel safe when they go about this. And I know that shops up and down the country are desperate to welcome us all back, and I think we all want to see our high streets spring back to life again.

AM: Let me ask you about another part of the economy, the airline industry. I think I'm right in saying, unless there's news just in, that nobody has yet been prosecuted or fined for breaking the quarantine rule when they come into this country. It appears to many of your colleagues in the Conservative Party that this system is a) not working, and b) causing devastating damage to the airline industry and the tourism industry generally. The relevant body, which is Airlines UK, says, 'this is just about the worst thing government could do if their aim is to restart the economy.' You can't carry on with this quarantine policy, can you?

RS: Well, I think it's important to note, first of all, that compliance, as far as I understand it, hearing from the Border Force, has been very good. They haven't had any issues with that. To answer your first question, when people have been arriving and been told what's required of them. And I think secondly we've always said that we keep measures under review. We all want to see travel open again, of course we do. And like everything else, we want to make sure that we've got the right measures in place at the right time, informed by the science and everything else that we have to consider, and the Transport Secretary's been very clear, we're looking at all options to ensure that that is possible and people have got suggestions of how we might be able to open up some travel corridors over time, and the Transport Secretary's actively looking at all of those options.

AM: So this may be relaxed. Liam Fox, for instance, a former Cabinet Minister: 'I simply cannot get my head around the public health mental gymnastics of this policy.'

RS: Well, I've great respect for Liam, obviously both as a doctor and someone who understands acutely international trade. I respect what he has to say. But we – because we're at a different phase of this virus now, you know, it's actually important that as we are controlling the spread of it we want to make sure that that success is locked in and not jeopardised, and that was the reason for introducing this. And I've said, I do think it actually does seem

to be working well. But obviously this is not something that would want to have. We all, over time, would like to get our lives back to normal, travel included. And that's why the Transport Secretary is actively looking at options as we continue to make progress against the virus we might be able to do more here as well.

AM: On the government's own traffic light system the alert is as high as it's ever been. And obviously – I'm not being silly about this – there is a risk involved of a second spike in what we're doing at the moment as a country. What would that do to the economy if there was a second spike?

RS: Oh well, obviously it would be very damaging. And I think that's something that we share with all other countries around the world. We are all feeling our way through this. There isn't a playbook for exactly what you need to do in these circumstances. And you know, we are setting out – or we set out a very clear plan to explain to the British public what our approach was. I think we've been delivering on that plan. Each step has been measured, it's been sensible and responsible, and that's how we will continue to operate. But I think people – reasonable people will understand that we're all dealing with uncertainty here and we're going to feel our way and that's why we're going to be careful and cautious and where we have to make changes we will.

AM: You can't be absolutely sure that you've got this. Because in a sense this is on you, the fact that we are reopening the economy in this way now, and taking what we both know is a risk. It may well be the right risk, but it's certainly a risk.

RS: Of course. You've had people - I think you had one of the scientists on earlier talking about vaccines. I mean, until there is a cure and a vaccine to this, anything we do obviously carries with it some degree of risk. I think everybody acknowledges that. Our job is to execute the plan that we put in place, which protects people, make sure that the NHS is not overwhelmed, and that is what thus far we have been able to achieve.

AM: You told Conservative MPs who are worried about the economy this week that you were going to be creative in your response. What does that mean?

RS: Well, what it means is I think we've always acknowledged the scale of what's happened here. This is not a run of the mill recession. You had the chart up earlier. And that means it requires perhaps unconventional responses, and that's what we have done. I mean, I think, the things we have done thus far. I mean, the furlough scheme is something we haven't ever had in this country. The scale and the speed of the support we've put in place haven't been things that have happened before. I think the thing that I'm looking at now, one of the next stages of the plan, so to speak, I think primarily we need to reopen our economy, safely and slowly, and that's the most important thing, to try and safeguard as many of those jobs as possible. But as I look forward, I think we acknowledge there's going to be hardship ahead, people are going to lose their jobs. I want to make sure that we the degree of support for them, whether it's skills or other support, to help them get back into work. I want to make sure companies are encouraged to employ people.

AM: The Germans have cut VAT. Might we do the same?

RS: Well, if you're talking about –

AM: Short term?

RS: There's a range of things one can do to stimulate the economy and we've done things like that in the past. I think before we have that conversation we need to actually reopen those sectors. There's no point cutting VAT on a sector which is actually closed, and that's why it's important that we continue to make progress.

AM: Sorry to jump in. The simple Conservative answer in many respects to this would be to cut taxes.

RS: Well, I think you have to acknowledge that again this is not a run of the mill economic downturn, because incomes in one sense

have been relatively protected through this crisis in a way that they are not historically in other recessions, partly through the furlough scheme and partly also because people have been sitting at home not spending money, and that has meant that if we look at the data on savings, the household balance sheets, what's happening in deposits, credit cards, actually in that sense things are in a relatively healthy position. So this goes back to your question early about confidence. So first of all we need to reopen those things and -

AM: I'm just wondering about all of those businesses, absolutely on the edge of going under, really quite scared about having to pony up more for the furlough scheme and wondering if they'll survive. What are you going to do for them? Come back to VAT or some kind of some kind of corporate tax.

RS: Yeah, but again it goes back – if consumers are - we know from the data or the issue is not so much that they don't have the cash because they've been saving over the last few months, it's whether they have the confidence and the psychology of our country, are the animal spirits for us to get back to our high streets in the way that we used to? And what I say to those businesses on the furlough scheme is, it's eight months. The first month of the extension there's no significant contribution required from almost 40% of businesses on it, the smallest businesses will be protected.

AM: What about Sunday trading?

RS: Well it's something that, as the Prime Minister said, we're looking at. We're looking at a range of things to provide support to -

AM: Is your instinct to relax the Sunday trading laws?

RS: Well it's something we've done in the past. We did it during the Olympics obviously. There has been an argument put forward, which is why it's worth having a look at, although no decision has been made, that given there are many people who are working very hard for example in the NHS and on the frontline would the

extra flexibility to shop on Sundays be something that would be valuable to them for example. So that bears looking at.

AM: Brexit. Would it help our recovery if we leave the EU with a trade deal?

RS: Well I think we've seen some good news actually in that the talks are intensifying and the Prime Minister is having meetings tomorrow which I think shows signs of good progress. And we've always been very clear. You know our first preference would be to have an ambitious and comprehensive trade arrangement with the European Union. We remain committed to that and we remain committed to approaching those talks in a constructive and open fashion. I'm glad that we're making progress on those and I very much hope that they can conclude positively.

AM: We were promised as a country that we would not have to accept chlorinated chicken or hormone treated beef, or many of the other chemically affected produce from the United States. Does that promise still stand?

RS: I think both the Trade Secretary and the Agricultural Secretary have been very clear on this point.

AM: Good.

RS: We remain committed to all the standards of animal welfare that we have put in place.

AM: And we were also promised zero tariffs. Does that still stand as a promise?

RS: Well you say we promised zero tariffs. What exactly?

AM: "We would rather not have tariffs. If it helps make progress than we're willing to do there" is what we've just said. But during the election campaign there was a lot of talk of zero tariffs with the EU. We're going to zero tariffs. We heard it again and again and again, but it now appears that we're not.

RS: No, no that's indeed our ambition and that's what we want as a comprehensive and deep trading arrangement with our EU

partners which would involve zero tariffs, zero quotas and lots of other agreements as well, not just tariffs to make sure that we can have a constructive partnership. So we do remain very committed to that and that's what these talks are designed to help achieve.

AM: Let me ask you about the position of lots of people who are being forced to self isolate. There's the particular issue of people who made themselves self employed relatively recently and who don't therefore have paycheques to show the government and so forth for the furlough scheme. Martin Lewis, who's the famous money saving expert, says, "three million people because of that have fallen through the safety net. Three million people" he says, "are excluded from support schemes. If they have changed jobs, started a business in the last 18 months, being freelance, worked for an agency, being Limited Company Directors or had an employer who didn't care, what will you do for them?"

It's a lot of people.

RS: Yes. Well I might quibble with some of the numbers but I have enormous respect for Martin. What I'd say is, look, I fully acknowledge and I said recently, we absolutely have not been able to help every single person in exactly the way that they would liked to have been helped, in spite of the fact that we've put enormous support in place, and the reason for that is straight forward. It's because we were confronted with something that was happening at such speed and at such severity and scale that we needed to move very fast. And we needed to put in place support mechanisms that could help as many people as possible, as quickly as possible. And in doing that we had to make some difficult decisions and I had to make some difficult decisions.

AM: So basically you can't do anything extra for them now?

RS: No, and as I said, having said that I do believe that through the range of different things that we've put in place almost everybody can access an enhanced degree of support. We've also

strengthened our security net, our welfare system during this crisis, but I think now we need to look forward and this is – to our conversation earlier – we’ve got to look forward now and think well how do we safely reopen our economy, how do we protect these jobs, how do we move our country on?

AM: You’ve always said that you’re not going to penalise people for doing the right thing. As track and trace rolls out an awful lot of people are going to be asked to self isolate, maybe for 14 days. Some of those people have virtually no income if they stop working. Are you going to be able to help them? The scientific advisors suggest you should in order to make this system work properly. Can I ask, are you going to help people in that situation?

RS: Well first of all I pay tribute to Diana Harding and all the team who have put in place again a brand new system. They’ve hired 25,000 people, contract tracers and they’ve done that in record time, so you know that I think is an enormous achievement and it does seem to be working very well. I think 85% of all the people that they have been able to trace are complying which is good to hear and they will continue to get better and improve. Now we already put in place support for people who are isolating, because if you remember from the beginning of this crisis we’ve been asking people to self isolate and do household quarantine which is why we changed all the rules surrounding statutory sick pay or employment support allowance for example for those who are self employed to make sure that it was payable from day one and covered those who are isolating, so we make sure we did that right at the beginning of all of this.

AM: I asked David Lammy about the Public Health England report on the effect of Covid-19 on BAME people and I read to him, it said: “Historic racism and poorer experiences of health care or at work may mean individuals in BAME groups are less likely to seek care when needed.” And on it goes. And it has four

recommendations. Is the government going to act on those recommendations?

RS: Yes. Which exact report are you referring to?

AM: It's the Public Health England Report on the effect of Covid on BAME communities and it has four specific recommendations, including PPE for key workers, make it law for BAME people to have health risk assessments and so forth

RS: So yeah. I mean I think you might be talking about a report that hasn't been formally published yet.

AM: I am.

RS: So I wouldn't be able to pre-empt that. There's a report that Public Health England have published in early June that they did as a request that we put to them to look at this issue in detail, that report has been fully published. Alongside that they conducted some other work. The report that I think you might be referring to is being submitted formerly to ministers and will be published next week and of course Equalities Minister is actively looking at all the things that might be in that report.

AM: Time for one final question. Would Chris Witty and Patrick Vallance have to agree before you relax the two metre rule?

RS: I think Chris Witty and Patrick Vallance around all of this have provided advice for ministers and ultimately it's for ministers, whether it's me, the Prime Minister, the Health Secretary and others, you know we're the people that are elected to make decisions in this country. People should hold us responsible and accountable for making those decisions, but I think people are comforted and have confidence in those decisions if they know that we are taking advice from our scientists on what is ultimately a health crisis informed a lot by what is happening with regard to the spread of viruses and epidemiology.

AM: So not necessarily I take from that, not necessarily?

RS: No but I think you know all of – whether they're scientific or others advisers advise ministers who are elected to make

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decisions and people can hold us accountable for those ultimately.

Ends