

ANDREW MARR SHOW

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PHILIP HAMMOND

Andrew Marr: After the Lakanal house fire in South London there was a coroner's inquest, and four years ago the coroner said that the building regulations relating to fire safety had to be looked at again. Has that happened?

Philip Hammond: Can I just start by offering my condolences to those who've lost family, friends, loved ones in this terrible tragedy and extending my sympathy to all those in the community who are affected. This is the first time I've been on the media since the fire, so I just want to put that on record. We've looked, obviously, at those recommendations and what's happened to them, and my assessment is that we have responded correctly and appropriately to those recommendations. But Andrew,

AN: Okay...(talking together) have you revised those regulations?

Philip Hammond: It's no good getting a government minister on here and asking me to mark our own homework. The point of having a public inquiry is precisely that a judge will look at those recommendations, he will look at how the government has responded, how landlords have responded, how local authorities have responded, and it will be for the public inquiry to decide definitively whether that has been correctly done or not.

Andrew Marr: But you are accountable to everybody watching and to the public generally for what the government has done. The government has had four years to look again at fire regulations which you were told by a coroner after a ghastly fire in which six people were killed in South London you had to revise. I put it to you, you have not revised those regulations and that is a major, major error by this government.

Philip Hammond: Well, there's a process under way and various steps have been taken, research has been commissioned which was reported back on. As I understand it, there was a consultation published earlier this year on revision to regulations.

AN: There's been consultation, there's been revisions, there's been ha-ing and humming and there's been this and there's that. You've had four years to do something you were told needed to be done and you haven't done it. You'd have done it within five minutes if it had been Buckingham Palace. With these tower blocks you have sat on this for four years.

Philip Hammond: No, I don't think that's true and it's not fair. I think the point is these are very complex technical issues, and in this case technical expert research was commissioned so that the decisions could be properly informed. Now, did it take too long? Did we handle it in the correct way?

Andrew Marr: Yes. I mean, no, surely.

Philip Hammond: The inquiry will determine that. That's the point of having a judge-led public inquiry with full power to call anyone to give evidence, to call for all papers, that will put all of this stuff under the microscope and show how different parties responded, and all of that should be looked at, of course it should.

Andrew Marr: Well, let's turn to another absolutely relevant question which is that of sprinklers in this building. Again, you were told for these local authorities to put in sprinklers. Sprinklers are not in many of these buildings. They're not apparently in most of our new schools either. Do you not need an urgent campaign, whatever the cost, to put sprinklers into tower blocks, schools and other public buildings?

Philip Hammond: Well if the conclusion of a proper technical evaluation is that that is the best way to deal with the problem, then of course. But my understanding, Andrew, and again I'm not an expert, but my understanding is that the best expert advice is that retro-fitting sprinklers may not always be the best technical way of ensuring fire safety in a building. Now, if it is, it should be done. Let's get the technical advice properly evaluated by a public inquiry and then let's decide how to go forward. But let's be clear –

Andrew Marr: I'm sorry, can I put to you –

Philip Hammond: - if something needs to be done to make buildings safe it will be done.

Andrew Marr: Can I put it to you that – I'm not an expert either – that we don't actually need technical expertise to tell us that sprinklers help put out fires and a lot of people sitting in blocks like that one will be watching this programme thinking there are no sprinklers outside my staircase, why not? We don't need technical expertise, the Fire Brigades Union has pointed out that there has never been a case of anyone losing their life in a fire in this country where sprinklers have been fitted.

Philip Hammond: Well, these are technical questions, so let's leave –

Andrew Marr: That's not technical.

Philip Hammond: - let's leave it to the – well, I've been in these meetings, of course we've asked all these questions, of course we've asked all these questions. What I'm hearing from the leading fire safety experts is that it isn't necessarily necessary to fit – retro-fit sprinklers to make a building fire safe. Now, I don't want to call that judgement because I'm not an expert, but I do

think we need to look through the public inquiry at all the evidence for this, all the technical evidence. The commitment that government should make, and I'll make it now, is that when the inquiry produces its findings – and I don't mean in a year's time, because we're going to ask them to produce interim findings – when the inquiry produces findings we will act on them.

Andrew Marr: The cladding that was used around this tower, which went up like a rocket, is banned across most European countries, it's banned in the United States, if the inquiry says it's got to be banned in this country and it's got to be torn off every single building that's got it and we have to re-clad those buildings whatever the cost, will the government pick up the tab for that too?

Philip Hammond: Well, again, my understanding is that the cladding in question, this flammable cladding which is banned in Europe and the US is also banned here. That's my understanding.

Andrew Marr: So why did it go up?

Philip Hammond: So the question – there are two separate questions. One is our regulations correct, do they permit the right kind of materials and ban the wrong kind of materials? Second question is were they correctly complied with? And obviously that will be the subject of the inquiry, we'll look at, it will also be a subject that the separate criminal investigation will be looking at.

Andrew Marr: Was David Cameron, your former leader, right to say that it was important to kill off the health and safety culture in this country?

Philip Hammond: Well, he wasn't talking about fire safety and that kind of thing.

Andrew Marr: But he said...

Philip Hammond: Fire safety in buildings is absolutely crucial and nobody would compromise anything around fire safety in buildings.

Andrew Marr: Well, there was a debate in the House of Commons on sprinklers and fire safety not that long ago, and Brandon Lewis, one of your ministers at the time, again and again boasted about getting rid of regulations. You know, get rid of one regulation, get rid of two regulations. And the whole conversation was about getting rid of regulations and the excessive cost of sprinklers.

Philip Hammond: Well, getting rid of regulation in order to do regulation properly, smart regulation, effective regulation, we did have a jungle of legacy regulations in this country and I think we should be proud of the way we cleared out a lot of the unnecessary regulation to make life easier, particularly for small businesses. But nobody wants to compromise on critical safety regulations, that's not the case at all.

Andrew Marr: Okay, last year there was a vote at the House of Commons to ensure that all private landlords – private landlords, not ones here – private landlords ensured their homes were fit for human habitation. How did you vote?

Philip Hammond: I think that was a Private Member's Bill. I don't think I voted on it.

Andrew Marr: It was an amendment to the Housing and Planning Bill.

Philip Hammond: Okay. I can't answer your question.

Andrew Marr: You voted against it.

Philip Hammond: It will be a matter of record.

Andrew Marr: You voted against it.

Philip Hammond: But the point is – okay.

Andrew Marr: My point is that your political critics say that the Conservatives have launched this war against the so-called 'elf and safety culture, sneering at it at every possible opportunity. Regulation's always bad. And you have pushed far too far.

Philip Hammond: No, regulation isn't always bad. Good regulation is what we need, and we have a proper regulatory framework. Now, obviously there are questions about it and it's right that the public inquiry should look at those questions. But it's not the right way to run a regulatory framework, just to accept amendments that people table to try and change in this way or that way.

Andrew Marr: Fit for human habitation seems alright, doesn't it?

Philip Hammond: Well, we have a framework that makes sure that buildings are safe and fit for habitation. What we have to do is make sure that framework is right and then also make sure that it is being enforced and implemented in the correct way. And these are legitimate questions, of course they are, in the event of a terrible tragedy like this. We must look at those things, and the right way to do it is to ask an independent judge to look at them.

Andrew Marr: The general election gives us a new situation, obviously in the House of Commons and so forth. Are you going to go ahead with your £30 million cuts to local authority budgets?

Philip Hammond: Well, we've –

Andrew Marr: Three million, I beg your pardon. Three million cuts.

Philip Hammond: Three million, right.

Andrew Marr: .. last time I said.

Philip Hammond: Yeah, I noticed that. Look, we've set out a series of measures that are already legislated for. We've got other proposals that we will now have to look at again in the light of the general election result and in the new parliament. I will be delivering a budget in the autumn and you'll find out then what we're proposing in that budget.

Andrew Marr: But you're not saying that these three million pound cuts in local authority spending is definitely going to go ahead now?

Philip Hammond: Well, what I'm saying to you is there's not going to be a sort of summer budget or anything like that, there will be a regular budget in November as we as we had always planned, and in that budget we will set out our future plans for public spending, for taxation, for fiscal balance and everything else that needs to be clear.

Andrew Marr: So I put it to, particularly if you're dependent upon the DUP, who are against the cuts to the winter fuel payment, are against some of the things you've talked about on the triple lock and so forth, and by and large are against deep welfare cuts, that actually the general direction of policy is going to have to change.

Philip Hammond: Well we'll look at all these things. Obviously we're not deaf. We heard a message last week in the general election, and we need to look at how we deal with the challenges that we face in the economy. And I understand that people are weary after years of hard work to rebuild the economy from the

great crash of 2008-2009, but we have to live within our means. And more borrowing, which seems to be Jeremy Corbyn's answer, is not the solution. Borrowing to fund current consumption is simply asking the next generation to pick up the tab for spending that we want to but aren't prepared to pay for.

Andrew Marr: But you'd agree with Tobias Elwood – you've almost used the same words – he said, 'the nation has been worn down by austerity, there is no doubt about it.'

Philip Hammond: Well, I think people are weary of the long slog. Remember what damage was done. Our economy contracted by nearly seven per cent after the financial crisis during that recession. And it's been a very long process of rebuilding. But look what we've achieved, we've created 2.9 million new jobs during that period. We've had a growth rate nearly double France's over that period and higher than Germany's. Those are remarkable achievements.

Andrew Marr: That's the record, that is history. Looking forward, are you prepared to say that we are going to take a different direction and the version of austerity that the country has gone through over the last period, which has produced the results you said, is now over and you're taking a different direction?

Philip Hammond: Well, I took a different direction when I took this job last year. I changed my predecessor's targets and pushed out the date when we will deliver fiscal balance, giving us more fiscal headroom, recognising that we were going through a period of uncertainty because of the Brexit negotiations. So I have created a lot more flexibility to respond to the situation on the ground in the economy and we'll use that if necessary.

Andrew Marr: And you've been very clear about saying you're against further borrowing, you've been clear about saying you're

listening to what the country feels about austerity. That would imply that under certain circumstances you'd be prepared to raise some taxes a bit to blunt the edge of austerity.

Philip Hammond: Well, we've never said we won't raise some taxes. Overall we are a government that believes in low taxes and we want to reduce the burden of taxes overall for working families. That is our political objective. But what is dishonest is the approach the Labour Party took in the general election –

Andrew Marr: Put them to one side for a second.

Philip Hammond: - pretending that you can raise taxes but they will never impact ordinary people. I'm afraid increasing the burden of taxation will have an impact. If it's tax on companies it will reduce investment and the creation of jobs.

Andrew Marr: Point taken. But some people will listen to what you've just been saying and put a headline on that saying Austerity is over, says Philip Hammond.

Philip Hammond: Well, I've seen lots of headlines saying that already. The issue is that we've still got a deficit, and it's 2.5 per cent of our GDP. That's not sustainable in the long term. Nobody can spend 2.5 per cent more than they earn every year. We have to deal with that. We've stretched out the timetable for dealing with it to give ourselves a bit more room to support the economy during this period, but our objective remains – our objective remains to bring the public finances back to balance by the middle of the next decade. To do that in a way that is sensitive to the needs of the economy, and that's why we deliberately created what you've called the wriggle room, during the next few years on the fiscal side.

Andrew Marr: Very, very interesting. How do you think that Britain's position when it comes to the Brexit negotiations has been changed by the election result?

Philip Hammond: Well, our position has been set out in the prime minister's Lancaster house speech. That was generally well received in the European Union. Of course we're going into a negotiation, it's not surprising that there's been a bit of posturing and chest beating coming from Brussels, we'd expect that. But what I hear, and I was in Luxembourg at an EcoFin meeting on Friday, what I hear from my colleagues is a continuing commitment to engage constructively with the UK and a desire to have a close ongoing relationship with the UK. And that's good news.

Andrew Marr: But to those in the Tory Party who call you Remainer Phil, can you say we're definitely leaving the EU, absolutely on my watch, and we're definitely leaving the single market on my watch?

Philip Hammond: Yes.

Andrew Marr: To both of those.

Philip Hammond: Definitely. We're leaving the EU and because we're leaving the EU we will be leaving the single market. And by the way, we'll be leaving the customs union. The question is not whether we're leaving the customs union, the question is what do we put in its place in order to deliver the objectives which the prime minister set out in the Lancaster House speech of having no hard land border in Ireland and enabling British goods to flow freely backwards and forwards across the border with the European Union.

Andrew Marr: And you know that a lot of business in the City and elsewhere across British business is really, really worried about this issue? And fears a sharp cliff edge?

Philip Hammond: Yes, and that is the issue. When I talk about a Brexit that supports British jobs, British investment, British business, I mean a Brexit that avoids those cliff edges. That insures that we segway seamlessly from the customs union that we're in at the moment, to a new arrangement in the future that will continue to allow British goods to flow, not just without tariffs, 'cause actually tariffs are a relatively small part of the problem, it's without delays in bureaucracy. It's the delay in bureaucracy interfering with just in time supply chains, with the flow of fresh produce, we import huge amounts of fresh produce from the European Union, and we've got to make sure that our border continues to work seamlessly. And that's probably the number one challenge for business.

Andrew Marr: Now you've said a different model but this also implies quite a long, possibly transitional arrangement before we actually leave the customs union. Is that right?

Philip Hammond: Well I've always said we will need - and Lancaster House speech makes clear, that we will need some kind of transitional structures and the European Union needs to understand that as well. This is not a British ask or a British demand, it's a statement of common sense, that if we're going to radically change the way we work together we need to get there via a slope, not via a cliff edge. That's good for business on both sides of the English Channel, it's good for citizens, it's good for protecting jobs.

Andrew Marr: Would you expect that we had left the customs union by the end of this parliament that is in 2022?

Philip Hammond: Well look, we will leave the customs union when we leave the European Union. That's a statement of legal fact. The question is what we put in place and what we put in place may not be a single arrangement that endures forever, it may be

an arrangement which lasts for a couple of years as a temporary measure before we get to the long term agreed status quo for relations between the UK and the European Union. This is all a subject of negotiation.

Andrew Marr: During those couple of years if that's how long it takes, Liam Fox is hopping from foot to foot desperate, bursting to get out there and do his new trade deals around the world. And he can't do it while we're still tied to the customs union, can he?

Philip Hammond: Well look, it depends. If we're restricted on being able to enter into new free trade deals with third countries during an interim period that won't stop us negotiating and preparing. Normally these deals take quite a long time to negotiate. It also won't stop us in any way from negotiating deals around services, particularly financial services, an area where the UK has got a huge comparative advantages.

Andrew Marr: Are you worried about the position of the City?

Philip Hammond: We're allowed to do that, even now as members of the customs union we can do that.

Andrew Marr: Are you worried about the position of the City right now?

Philip Hammond: Well obviously the City, the financial services sector, by the way the majority of which is not in the City, it's spread around the country, but it's a very important part of our economy. About 7% of our economy. It's an even more important part of our fiscal receipts, about 11% of our taxes come from the financial services sector, so very important we protect that. And because we've got an economy which is heavily services dominated, it's essential for us, for Britain that a future deal with

the European Union is not just about free trade in goods, but also about free trade in services. It's got to be fair and it will only be fair if it deals with services as well as goods.

Andrew Marr: Do you think that no deal's better than a bad deal?

Philip Hammond: Let me clear, that no deal would be a very, very bad outcome for Britain. But there is a possible worse outcome and that is a deal that is deliberately structured to punish us, to suck the lifeblood out of our economy over a period of time and I would not agree to a deal that was clearly structured and designed to destroy us by slow bites over a long period of time. That's not acceptable.

Andrew Marr: And you're in charge of the money. Do you look at some of those eye-watering sums being talked about in the EU as the price for leaving and say absolutely not on my watch?

Philip Hammond: Well I look at most of them and say I don't recognise these sums at all. I think this is the most egregious pre-negotiation posturing that I've seen for a very long while. But any questions around money, financial contributions to any organisations or structures will be for the negotiations which will start tomorrow.

Andrew Marr: Do you think in the aftermath of the election vote, the tens of thousands promise on immigration is now dead?

Philip Hammond: Well, the Prime Minister's been clear that we will aspire to deliver, over time, sustainable net migration into this country and that's defined as being below a hundred thousand per year. But we haven't put a timescale on it. We know it's going to be challenging and we have been very clear that we're not going to do it in a way that damages the British economy. So it's got to go hand in hand in tandem with addressing our skill

shortage here and we've taken a big step forward with the announcements on technical skills in the Budget. First we home grow the skills we need and then we deal with migration issues.

Andrew Marr: When you saw the exit poll on election night it must have been a bitter sweet moment. You knew you'd probably lost your overall majority but you knew you were going to keep your job. Because if Theresa May had got a big majority she'd have fired you as Chancellor.

Philip Hammond: You're much too Machiavellian, Andrew. My reaction was bitter. Nothing sweet about it. I was shocked as I think everybody else was. That wasn't the feeling that I had got from travelling round the entire country over the election period.

Andrew Marr: We didn't see much of you during the election campaign and as I said the Prime Minister was planning to sack you, apparently. Did you have a conversation with her and you said, well I'm still here, are you going to get rid of me? What did you say to her?

Philip Hammond: Well I'm not going to repeat to you the private conversation that I had with Theresa May on Friday. Yet it's true that my role in the election campaign was not the one I would have liked it to be. I did a lot of travelling round the country –

Andrew Marr: Why was that, do you think?

Philip Hammond: - I met lots of very interesting people and I heard lots of interesting stories. Look, I would have liked to have made much more of our economic record which I think is an excellent one, creating 2.9 million new jobs, getting the deficit down by three-quarters.

Andrew Marr: Was this Nick Timothy and Fiona Hill keeping you off the airwaves?

Philip Hammond: Well, I'm not going to speculate about what happened inside the campaign leadership team. The end result is that in my judgement we didn't talk about the economy as much as we should have done.

Andrew Marr: And do you think Theresa May recognises that was a mistake now?

Philip Hammond: We didn't put enough energy into dismantling Jeremy Corbyn's economic proposals and his spending plans which would be catastrophic for this country. And we will now do that. We will now address those plans that Corbyn set out in his manifesto and take them apart, which I would have liked to have done during the campaign.

Andrew Marr: Very often described as a terrible campaign since, if it had more Philip Hammond in it, more economics, would it have been a better campaign?

Philip Hammond: Well I think focusing on our strengths is always the right way to campaign. Economic competence has always been one of the great Conservative strengths and in this case we have an excellent economic record, I would have liked to have highlighted our economic record and I think if we had focused on that we probably would have done better in the election than we did.

Andrew Marr: One last numerical question. How long has Theresa May got?

Philip Hammond: Well, I think what the country needs now is a period of calm while we get on with the job in hand. We've got

some very serious issues to address, including the Brexit negotiations just starting. Theresa is leading the government and I think the government needs to get on with its job. And d'you what? I think actually that's what most people in this country will think. That the government just needs to get on with the day job of government.

Andrew Marr: Philip Hammond, Chancellor, thank you.