

ANDREW MARR SHOW

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PHILIP HAMMOND, MP

CHANCELLOR OF THE EXCHEQUER

AM: Nick Timothy, Theresa May's former Chief of Staff launched a scathing attack this week saying, 'the Chancellor lacks a burning desire to change people's lives for the better.' Philip Hammond's with me now and that is not just Nick Timothy, is it? A lot of Tories think you're very very good on the numbers but you're a bit lousy when it comes to the big politics.

PH: Well, frankly, nobody would be in politics if they didn't have a desire to change people's lives for the better. We might disagree about how we do that. I personally believe that a solid economy, a sound economy, growing, offering people opportunities for the future is an absolutely essential bedrock to a civilised country and I want to see us creating a world in which people can realise those opportunities in the post-Brexit world we're facing.

AM: But your party desperately needs something to change. Is this going to be a big exciting budget that really gets the country going?

PH: Well look, all budgets are big political events and I hope what Wednesday will do is give me an opportunity to set out again our vision for Britain post-Brexit and our plan for getting there. Our plan for delivering that vision. Because I do think we're at something of a turning point. We've had a difficult year. We're now I think on the brink of making some serious movement forward in our negotiations with the European Union, and starting to unlock that logjam so that people can start to see clarity about the future. We've had a nasty bout of inflation this year, but it looks as though it's getting to the top and we can expect to see it falling next year, and after many years of struggling to get the

deficit down and seeing our debts still rising I think we are at last about to turn that corner and see debt beginning to fall.

AM: And you've said this morning that the public sector has had years and years and years and have strained every sinew and muscle to deliver us much as they can on short commons. A lot of public sector workers are simply shattered and exhausted by the long austerity years. Is that also about to change?

PH: Well, our public services do brilliant work. They've performed extraordinarily well and for example the NHS, which you wouldn't believe this listening to some opposition politicians, but public satisfaction with the NHS is at a 20 year high. So our public servants are doing a remarkable job in what I acknowledge is very difficult circumstances.

AM: Let me – since you say you want to talk about the NHS, Simon Stevens has said very recently and he wants an extra £4 billion as you know. But he says, 'on the current funding that it's going to be very hard to expand mental health services or improve cancer care. NHS waiting lists will grow to 5 million people by 2021 on the current budget. And that means,' he says, 'an extra million people on the waiting list,' which in turn would mean the government would have to change the law to abandon some of the current targets on waiting lists. You wouldn't allow that to happen, would you?

PH: Well, I'll just remind you that Simon Stevens drew up the NHS Five Year View back in 2014. He was the one who set the envelope of resource that he asked the government for £10 billion extra by 2020. We agreed to fund that and that plan is not at the moment being delivered. Now we understand the pressures the NHS is under from higher demand than predicted and of course we want to work with the NHS to address these problems.

AM: Absolutely.

PH: Get it back on track to deliver its targets.

AM: But he is very clear, he needs an extra £4 billion and if he doesn't get it, he says that fine, I don't get it, but then we cannot achieve those waiting list targets and we have to change the law.

PH: Well Andrew, let me tell you a budget secret. In the run up to budget people running all kinds of services, government departments –

AM: So this is just shroud wave is it?

PH: - come to see us and they always have very large numbers that are absolutely essential otherwise Armageddon will arrive.

AM: So you don't believe him?

PH: Now I don't contest for one moment that the NHS is under pressure. We've been doing some very careful work with the Department of Health, with the NHS to look at where those pressures are. To look at the capital needs of the NHS. To look at where the particular pressure points around targets are and we will seek to address those in a sensible and measured and balanced way.

AM: But you're not impressed by the Simon Stevens demand. What about Sajid Javid who was sitting in that very same chair.

PH: I'm very impressed by the way Simon Stevens fights his corner. I'm glad to see he does. And of course he's a very skilled and accomplished public servant and I'm sure that he will carry on delivering for the NHS.

AM: Almost everybody agrees there is a housing crisis in this country. Sajid Javid was sitting in that chair a few weeks ago and he said it is a real problem, we need really big thinking on this. We need £50 billion of extra money to completely transform the housing situation. Then we can really build the hundreds and hundreds of thousands of homes this country needs. Have you turn him down?

PH: Well actually you need to get on BBC iplayer and check because he didn't mention that sum.

AM: Okay.

PH: That was mentioned in parliament afterwards.

AM: His people were briefing that all the time.

PH: Look, Sajid and I have been working very closely together with the Prime Minister. She said in Manchester in October that this is her number one priority and the Budget is our opportunity to set out how we're going to deliver on that priority. How we're going to make good on our pledge to the next generation that they should have the same opportunities that their parents' generation had. And it is not acceptable to us that so many fewer young Britons are able to own a home now than just ten or fifteen years ago. It is not acceptable to us that there are not enough properties available to rent and that rents are sky high. And the answer is we have to build more homes. We are delivering planning permissions at record numbers. Actually we're delivering homes at record numbers. 217 thousand in the last year reported this week. That's a dramatic increase since 2010.

AM: Do you have a target in your head about the number of homes you'd like to achieve by the end of his parliament?

PH: Yes. Look, challenge here is affordability and I think experts generally agree that to start to make inroads on the affordability problem we've got to be sustainably delivering around 300,000 homes a year on average across the housing cycle. And that's a big step up from where we are now. There is no single magic bullet and it's certainly not just about pouring money in because if you pour money in without fixing the other elements of supply, you will simply create more house price inflation. That makes the problem worse, not better.

AM: You come from a development background yourself. Isn't one of the crucial things to have more relatively inexpensive land in the right places where people actually want to live and that means encroaching a bit in some areas, near railway stations and so forth, on the green belt?

PH: Well we've made very clear commitments about protecting the green belt and we will maintain that protection of the green belt. But there is lots – there are lots of things we can do using planning powers, using intervention powers to get planning permissions that have been granted built out. There are in London alone 270,000 residential planning permissions that have not today been built. We need to understand why these planning permissions that are going up all over the country, that will continue to increase across the country, why they are not being built up. We will intervene to make sure that they are. We will use money, we'll use the powers of the state, we'll use the powers of the planning system, but we are determined to get those missing homes built.

AM: One of the things that stops younger people getting into homes whether they're built or not is stamp duty. It is so expensive now to buy your first home. Is there anything that you can do for them?

PH: Well obviously I'm not going to discuss tax measures ahead of the Budget, Andrew, but we recognise the challenge for young first time buyers, that in many parts of the country deposits are now –

AM: Have become almost impossible.

PH: - very large. But look we've already put in place schemes like the Help to Buy Equity Loan which have given 400,000 odd first time buyers an opportunity to get onto the property ladder. But again, nobody is saying we've done enough. We must do more. We recognise there's a challenge there and on Wednesday I shall set out how we intend to address it.

AM: And it's not going to be a series of tiny little small micro measures, important though those may be. You have got the vision to actually get Britain building again?

PH: What I will do is set out a vision but that vision will be composed of a number of measures. So for example, we've got to recreate the small and medium sized house building sector that used to exist in this country, but was wiped out in the financial crisis. We need small building firms in every town and city around the country as well as the big national builders. We've got to make sure that they can access the finance that they need. So we've got to make sure that we've got – we're importing bricks and concrete blocks, Andrew.

AM: And builders.

PH: We've got to make sure that we've got the materials. We've got to make sure that we train the construction workers. So there will be a raft of measures that address all of these issues. There is no one single silver bullet.

AM: One other big theme seems to be coming out of all of this is our technological development. AI, robotics. There's been a suggestion that you're going to have a big drive towards driverless cars. A big push towards driverless cars. Can I ask you, very simply, by the next election if you're walking up and down a street in Britain will you turn round and actually see a driverless car pass you?

PH: Well that is our objective, to see fully driverless cars without the safety attendant in the car on the roads in the UK by 2021. Now some would say that's a bold move, but I believe we have to embrace these technologies, we have to take up these challenges if we want to see Britain leading the next industrial revolution. We have a huge advantage across a whole range of new technologies that are going to transform our lives and if we want to ensure our prosperity in the post-Brexit world, we have got to embrace these new technologies, we've got to build the industries that will create the high paying jobs of tomorrow and driverless vehicles is one of them.

AM: Have you ever been in a driverless car?

PH: I haven't myself but I'm -

AM: 'Cause Jeremy Clarkson has and he says they're really, really dangerous.

PH: I'm promised, I think I'm promised to go when we visit the West Midlands tomorrow.

AM: When it comes to robotics more generally - we'll look forward to that in a moment - when it comes to robotics more generally a lot of people say this is a bit like the first big recent wave of globalisation. Politicians, wealthy people told us it was all going to be great and it has destroyed jobs and hollowed out communities,

robotics will be the same. I mean there's more than a million people driving for their living in this country. If the driverless revolution comes most of them will lose their jobs and it's not clear where the next lot of jobs are going to come from. People are really concerned about this.

PH: So Andrew there's a simple choice here. Either we embrace change and we put ourselves at the forefront of it, or we try to hide from change and we allow ourselves to slip behind. We have to embrace change in this country and we have to ensure that our people have the skills and the capability and the tools they need to be able to evolve, to learn new skills, to learn to take up new careers. I remember 20 years ago we were worrying about what was going to happen to the million shorthand typists in Britain as the personal computer took over. Well, nobody has a shorthand typist these days, but where are all these unemployed people? There are no unemployed people because we have created –

AM: A lot of unemployed people...

PH: We've created three and a half million new jobs since 2010. This economy has become a jobs factory constantly reinventing itself, constantly creating new jobs and careers.

AM: But a lot of those jobs are quite low waged jobs, that's the point.

PH: Well I don't agree with that. The way that we get higher paid jobs in this country -

AM: Average wages have gone down since 2010.

PH: - is to embrace new technologies and to move ourselves through productivity enhancement up the skills curve, up the pay curve. And that is another theme of this budget, we must continue

to invest in improving Britain's productivity, 'cause that's how we get higher real wages and higher standards of living.

AM: I said at the beginning of this programme that overhanging all of this is the national debt and you mentioned it as well. What was it as a percentage of GDP when the Conservatives came to power in 2010?

PH: It was about 60% at that time, I think.

AM: And where is it now?

PH: Well that will be a matter that will be revealed in the OBR Report on Wednesday but it's definitely a number that starts with 8.

AM: It's definitely a number that starts with 8 and a high 8. That is a terrible record. You say it's about to change but that is a really, really bad stain on your record as Chancellor, is it not?

PH: No, not at all, Andrew. When you have a deficit, when you're running a deficit of the size that we inherited in 2010 your debt will be growing each year.

AM: Which you said you were going to wipe out by 2015.

PH: We have reduced that deficit since 2010 by three quarters and that's a remarkable achievement. And as we get the deficit down to manageable levels the growth in our debt has got smaller each year until we are now at the point, or almost at the point, where that debt mountain stops growing and starts to slowly decline. And I think that's a really important moment in our economy's life.

AM: Is that a promise from Philip Hammond to the country?

PH: Well we are at or near the point where our debt has stopped growing and starts to decline.

AM: I've got lots and lots of Brexit questions for you. I'm going to just do a quick fire if you don't mind. Will the public know in the next couple of weeks how much money we're going to have to spend to leave the EU? The bill?

PH: The Prime Minister is clear that we will meet our obligations to the European Union and as you know we want to make progress in the discussions at the December Council of the European Union and the Europeans have asked us for more clarity on what we mean by meeting our obligations.

AM: Very soon then. We're running out of time for this, aren't we? We need to know soon, do we not?

PH: The Council's three weeks so yes.

AM: Will we know within those three weeks what the bill's going to be?

PH: Well, we will make our proposals to the European Union in time for the Council, I'm sure about that.

AM; The Taoiseach, the Irish Prime Minister, has asked for a commitment in writing about how Britain is going to avoid a hard border in Ireland. Will he get that?

PH: Well everybody wants to avoid a hard border in Ireland and we're clear that it will not be us creating hard infrastructure at the Irish border, but as the Taoiseach very well knows, there are challenges about how we manage this border. We can only solve them in the context of a broader understanding of Britain's future trading relationship with the European Union. So this is a chicken

and egg. We need to solve the overall relationship question first and then we can look at how we deal with the Irish border.

AM: Would it not be logical, flexible and sensible to allow Northern Ireland to have a slightly different relationship with a single market and the customs union in order to avoid that hard border?

PH: Not if that meant, as it would, a hard border between Britain and Northern Ireland. We're not prepared to countenance anything that would start to break up the United Kingdom.

AM: You may not have seen it but James Dyson gave a very interesting interview on the show last week and he said that the outrageous demands that the EU was now making on the British government the sensible thing was to turn our backs and walk away now. Why is he wrong?

PH: Well, it's not about demands. It's about what is properly due from the UK to the European Union under international law in accordance with the European Treaties and we've always been clear that it won't be easy to work out that number, but whatever is due we will pay. We're a nation that honours our debts. And of course we'll negotiate hard where there is any question, any doubt about whether an item is payable or not, but those debts that are clear, of course we will pay.

AM: Why is a transition period so important?

PH: Because both businesses and governments need time to plan for the change ahead. As we leave the European Union and forge a different relationship with our neighbours things will change. Things will be different. And businesses need to make forward contracts, forward plans, government agencies need to put in place new arrangements. We need time to do it.

AM: When, in your view, do they need to know what those arrangements are?

PH: Well we need to get a transition period, an implementation period in place as soon as possible. I would like to see it over the course of the next few months being agreed and then of course we can work out the exact details later, but getting an in principle agreement as early as possible will be good for Britain and good for the EU.

AM: So within the next month or so. Michel Barnier has suggested he might not be ready to talk about that until October next year. Would it be useful by October next year or is it then gone?

PH: Well it will still be useful but it would be much less useful for everybody than it is now, because by that stage people will have started to make alternative supply arrangements. British companies that are importing components from the European Union may have had to break those arrangements and start sourcing elsewhere. Government agencies will have had to start putting in place contingency arrangements for Brexit in March 2019.

AM: So it is a wasting asset?

PH: So it is a wasting asset and that's why it's in everybody's interests that we get the implementation agreement in place as soon as possible.

AM: Theresa May said that the time and the date when we leave the EU she said, 'would be there in black and white. On the front page of this historic piece of legislation.' Will it be?

PH: Well, we've proposed that we will have the date in the Bill, but of course parliament decides these things, not governments.

AM: So you don't know that it'll happen in fact?

PH: Well, governments propose legislation to parliament, but of course parliament is sovereign, quite rightly and there is a discussion going on in parliament about this. But we have no plans to change what we're putting before parliament.

AM: You were a very prominent member of the Remain campaign. When you look at the way the EU are negotiating with us now and you look at the fact the economy is growing and you yourself have optimism for our future as a country after Brexit, do you like Liz Truss and others – Jeremy Hunt say well actually if there was a vote now I might vote to leave the EU? Maybe the other side were right. It would be a big moment if you're prepared to say that.

PH: Well, there isn't a vote now. There isn't going to be.

AM: I know but they –

PH: Now there isn't going to be a second referendum. We've had our debate, we've made our decision and I am committed as is every member of the Cabinet, to getting on and delivering Brexit as quickly and as cleanly as possible, doing it in a way that protects British jobs and British prosperity so that we can reap the benefits and the opportunities that are available to us in the post-Brexit world.

AM: The reason I'm asking you this, as you know, is that many of our critics in Cabinet and outside Cabinet in the Tory Party see you as the arch Remainer, the one person who is really not committed to this. In your guts you are not committed to us leaving, you're not excited about it, you're not positive and optimistic about it.

PH: I think Britain has a very bright future ahead of it, and we have to embrace the opportunities that the post-Brexit world will offer. They will be opportunities that are based on huge change, huge technological evolution. It's not always going to be easy but the British people have shown time and time again that we're up for these challenges. We must run towards the opportunities and seize them.

AM: You said one rather extraordinary thing earlier on in this interview. You said there aren't any unemployed people. There's 1.4 million unemployed people in this country.

PH: Of course. Unemployment is at record lows. The lowest it's been since the 1970s. We've got a remarkable record of creating new jobs and we're getting people into work at a remarkable rate and that's something we should be extremely proud of.

AM: It sounds like 1.4 million people who have been forgotten.

PH: No, they haven't been forgotten by this government. We're focused on getting them into work. It was the last Labour government that abandoned the unemployed. Ignored them. Dumped them on welfare. We've reformed the welfare system to make sure that work always pays, to work with people, to up skill them, get them into work.

Ends