

ANDREW MARR SHOW, 28<sup>TH</sup> FEBRUARY, 2021 – RISHI SUNAK, CHANCELLOR OF THE EXCHEQUER

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Chancellor of the Exchequer

(Please check against delivery (uncorrected copies))

AM: Now my final guest is a man who's borrowed almost 300 billion pounds. The Chancellor of the Exchequer, Rishi Sunak.

Given where interest rates are at the moment, is it your intention to carry on borrowing until we get out of this completely?

RS: Good morning, Andrew.

Well my priority is to keep supporting British families, businesses and people through this crisis. I said at the beginning I would do whatever it took to do exactly that and I remain committed to that and you'll see more of that in the Budget.

AM: So borrow, borrow, borrow?

RS: Well the right thing to do right now is to support the economy, but I also want to level with people about the challenges we face, Coronavirus has had an enormous shock both to our economy and our public finances and I think it's right to be honest with people about that challenge and be clear about what our plan to address that is.

AM: If interest rates tick up by just one point what's the cost to the Treasury?

RS: Well, you're right about the sensitivity of our debt now to interest rates. We've borrowed a lot so of course we're that much more sensitive to change in those rates. They have been very low, but of course they can change. In the same way that a household will think about their own mortgage we have to think about those things as well. But it's also important to worry about these things for a couple of other reasons. If I think about how I've been able to respond in this crisis I think generously and comprehensively, I was only able to do that because we came

into it with strong public finances and a strong economy. I want to make sure that when the next crisis comes along the person sitting in this chair can do what I've done and we owe it them to do that. But also I want to deliver on the promises we made on strong public services, so in the round I think strong public finances are important and that's why I want to level with people about the challenges and address them.

AM: So this level of debt is economically perilous because we're vulnerable to higher interest rates and it's the wrong thing generally. So when do you want to bring debt down?

RS: Well perilous is a strong word but I think the right thing to do right now is keep supporting the economy and you will see that in the Budget next week and we said at the beginning of this, I said I wanted to do that and we remain committed to it. We went big, we went early and there's more to come and people should feel reassured by that and for example today we're announcing £5 billion of grants of up to £18,000, the hospitality businesses like restaurants to help them reopen and restart. We're providing incentives of £3,000 for businesses to take on new apprentices. Those are the right types of things to be doing right now, but of course over time we want to make sure we have strong public finances and that's what I be clear and level with people.

AM: Well you may have heard in the news people from the hospitality industry saying this is rather meagre. In fact it sounds like it. It's very hard to get our heads around what a billion pounds or five billion pounds really is, but for big businesses who had a really big hit to their balance sheets this is simply not enough and you're going to have to do more.

RS: Well for a typical – if you think about a typical restaurant or pub they would have rent on an average year of somewhere between 14 and 20 thousand pounds, or vary substantially, so grants of up to 18 thousand pounds to help you reopen over the next few weeks and months should be put alongside that and

together with furlough for example we've taken care of the two big costs over the past year that many of these businesses have. But of course it's difficult out there for many of these businesses. They've been brilliant at trying to adapt. We want to support them as they reopen and I want people to be reassured that we will have support in place to help them move along the Prime Minister's Roadmap as we move forward on that path.

AM: And does that programme replace furlough?

RS: No. This is a cash grants programme that provides cash grants of up to £18,000 for hospitality and accommodation and leisure businesses. We've had grants in place throughout this crisis but we wanted to be generous now as we exit the restrictions, help these businesses reopen and protect the 2 million jobs that are in these industries which are really important to me.

AM: Staying with the really big picture, we've talked about debt and the huge amount of debt in the economy. At some point that has to be paid back, we have to start paying it back and you can't tell me at the moment when that point would come. Can I ask you, what you're going to do about the level of debt? What is your ambition? Where do you want debt to end up at the end of this parliament for instance?

RS: Well I think given the scale of the shock that we've experienced this isn't a problem that we're going to be able to fix overnight. It's going of course to take time. But I think the key thing is right now to keep supporting the economy, as we have been. Provide that reassurance to families. Make sure that support is in place as we move through the Roadmap. But also level with people about the challenges we face over time, for the reasons that we talked about. Whether it's building resilience for the next crisis, protecting ourselves against the possibility that interest rates might change, or indeed delivering strong public services, for all those reasons we just make sure that we have a fair plan to address that.

AM: And at some point that's going to require some tough decisions about tax. Your predecessor, Philip Hammond, suggests that you may not be prepared to be unpopular enough in that regard. Can I ask you, do you accept that some businesses have done quite well during this pandemic?

RS: We've seen different fortunes for all different types of business. In general it's been a very difficult time for very many businesses that over 650,000 businesses for example will benefit from the cash grants that we're putting out today. Those are businesses that have been asked to close at various times, they will open with restrictions. They employ, as I said, over two million people and I want to try and protect as many of those jobs as possible and those businesses and those jobs need our support.

AM: But you accept that some have done well, I'm thinking about the online businesses and some of the supermarkets and so forth. Should they be paying back a bit more now? Or soon at any rate?

RS: Well I can't tell you.

AM: I'm not going to go round that thing of asking for every tax rate and you say wait till Wednesday and I say yes, but what about and you say wait till Wednesday. But on the principle, should those who've done well during the pandemic be paying back?

RS: Well you talked about online businesses and we've put in place something already to tackle the tax on those types of online marketplace businesses. It's called a Digital Services Tax. I put it in place at the Budget last year and what I'm doing now is working with my counterparts internationally through groups like the G7 and the G20 to reach an international agreement on how to tax these large multinational digital companies properly and that can hopefully replace our own Digital Services Tax. That's something that we're already looking at.

AM: And Amazon's net profits have gone up 84% during the pandemic. Are you against the idea of a windfall tax in principle?

RS: Again, it's unfortunate that I can't comment specifically on taxes like that.

AM: Just the principle of it, that's all.

RS: And I know it's frustrating for people watching, it's frustrating for you, but that's because talking about specific taxes can have an impact on companies and markets. It's appropriate that that happens at Budget.

AM: One thing that unites David Cameron, who's comparing this to a wartime budget and Sir Keir Starmer, Leader of the Opposition, is that they both say now is definitely not the right time for Corporation Taxes to rise. Are they right?

RS: Well now is the time to keep supporting the economy.

AM: That sounds like you agree with them.

RS: That's what I have been doing that's what we'll continue doing as you're seeing from today's announcement in particular. Because we've got a Roadmap, we will work our way through that Roadmap along that path. Support will be in place for businesses and families through that path, but it's right to level with people about the challenges we face in our public finances and our plan to address those. And you talk about Keir Starmer. It's not obvious to me that the Labour Party themselves even know what their position is on all of these things. And what I want to do is rather than ignore the problem as some people might want to do or worse, pretend there's no problem at all, I think that's wrong and I want to level with people and address the problem.

AM: But if you're going to level with people and be straight with people that must mean at some point tax rises go up and I'm trying to find out whether that includes Corporation Tax.

RS: And Andrew, again and I appreciate like to be able to talk about this now and I just can't and I'm sorry about that but it's right that we talk about these things in the round at Budget.

AM: Did you tell Tory MPs that you were going to raise taxes now so that you could cut them before the election?

RS: No I don't recognise that and I think anyone – well given the shock that we've had over the last year and the economic uncertainty we face it would be brave for people to know exactly what was going to happen in three years. What I'm focused on right now is preparing a budget that provides support for people and businesses and families through the remaining stages of this crisis. Is honest and levels with people about the challenges in our public finances and also talks about the future economy that we're trying to build.

AM: Okay, can we get one thing at least straight? In what's to come, without going into any details or any particular taxes or anything else you can promise me today that you will stick by your election manifesto promises?

RS: Well again you're asking me specific questions about tax, Andrew. The Budget's in just a few day's time and we will talk about all of these things there. But what people –

AM: Chancellor hints he's going to break election manifesto promises.

RS: Well no, you talk about promises. We remain committed to delivering those promises, particularly on public services. 50,000 more nurses, 20,000 more police officers. 40 new hospitals and in investing in infrastructure across the country –

AM: We're talking about tax cuts though.

RS: - that people elected us to do those things and they also elected us because they trust us with their money. They trust us to be honest with them, they trust us to deliver for them. I take that responsibility very seriously and that's what we will deliver.

AM: They elected you, you say, because they want to trust you and that you're going to deliver on our promises by you can't say to me you're going to deliver on our tax promises.

RS: Again, because it's specific questions about tax, Andrew –

AM: Not specific, it's general.

RS; On Wednesday we'll have a budget and of course everything will be there. But look –

AM: Well in that case let's turn to the people who've been badly affected in particular by this pandemic and if you look at the ONS figures it's very, very clear that it's people under 25 who've had the hardest hit in employment terms. Is it right to do something special for them?

RS: Well you're absolutely right. They have been the hardest hit and I think we spoke about this on one of your previous shows. And that's been uppermost in my mind from the beginning of this crisis which is why way back last July we set out our plan for jobs and a key part of that plan for jobs was something we created by the Kick Start Scheme, and what that does is fully fund from the government high quality jobs for people up to that age, exactly the ones that are most at risk of being furloughed, working in the affected sectors and it was important to me that we did that, we did it early, it's going to help a quarter of a million young people and we've already found 100,000 of those young people great jobs to go to. I remain committed to doing what I can to protect people's work, get them into good work and the Kick Start Scheme I think is a fantastic example of us doing exactly that.

AM: Well one very, very simple thing that you could do is extend the £20 extra on Universal Credit. At least for the year ahead. Can I ask you, what's the case against doing that?

RS: Well again with all our support the Budget will set out the next stages. I know that that's been very important and it's helped people. It's just been one part of our plan to protect people and actually what the evidence and the analysis shows that our

interventions have protected those people on the lowest incomes the most and that's something that I'm proud of. And if you look at what's happening next year already that we've announced, the National Living Wage is going up by more than inflation which will deliver around a £350 pay rise for that working on a National Living Wage and we've invested a billion pounds in something called Local Housing Allowance which will mean about one and a half million vulnerable families will receive on average about £600 each to help them with rent payments. So we are still providing support for those who need our help.

AM: It's just that for an awful lot of families, around six million a month, this is what helps them cover the bills. It costs you about six billion pounds but it reaches an awful lot of people and one of your MPs, Jake Berry, who's Chair of the Northern Research Group, he says that to relinquish support now, 'would cause long term damage to large parts of the North and weaken our recovery.'

RS: Well I'm proud of our actions over the past 12 months because they have helped those who most need our help.

AM: We're looking forward now.

RS: Yeah and as I've said there will be more support to come at the Budget on Wednesday. The Prime Minister's Roadmap sets out the path on which we will travel to exit the restrictions and we will make sure that we support people along that path. But we've already announced things for next year, like the National Living Wage which will put more money into those families and things like Local Housing Allowance which will help them with rent and indeed another £670 million to help around 3 million vulnerable families with their council tax bills, worth around £150 each. So there's lots we're doing to help those who need our help the most.

AM: We are still now in the teeth of the pandemic. Are you going to extend furlough?

RS: Again we've already extended it through to the end of April to have provided people that degree of certainty. We did that a while ago, and the budget on Wednesday will set out the next stage of our response. But we are proud of what furlough has achieved over the past 12 months. It has protected around nine or ten million jobs, it's helped a million companies, and it's one of the reasons that our unemployment rate now is lower than countries like France or Italy, Spain or even the US or Canada, because jobs and protecting people's jobs remains our highest economic priority.

AM: One of the big controversies recently has been about the self-employed, 1.8 million people, who haven't had full support, and there does seem to be something slightly strange about the rules. If I'm getting 50 per cent of my income from self-employment then I get seven and a half thousand pounds of support from you. If it's 49.99 per cent I get nothing. That just seems very odd.

RS: Well, if you look at our support for those who are in self-employment and compare it to almost any other country around the world, it is more comprehensive and more generous. We've spent almost £20 billion protecting those who are self-employed. Now, when we designed the scheme, because we don't have perfect information about those who are self-employed, we don't know their particular circumstances, we worked with various industry bodies to try and see what's the best way we could try and target the support so the taxpayer focused their support on those who need it the most. And actually a settled agreement amongst the people we spoke with was that our grants should go to those people who are predominantly self-employed, who make most of their income from self-employment. And actually people suggesting a much higher threshold of 60 per cent or two thirds. So actually the threshold we went with, saying that you make the majority of your income from self-employment, is actually more generous than what many people were telling us to do. The average self-employment income, it's worth bearing in mind, of

those one and a half million people who are not majority self-employed, the average self-employment income they make, we know from the figures, is somewhere between two or three thousand pounds. And obviously at that level there are lots of other things that we've done that will also help those people.

AM: Well, let's just address the elephant in the room, the pandemic itself. Because there is evidence from various regions in England that case numbers are starting to rise again. One in five places in England, case numbers are starting to rise again. Now, we are in the lockdown, we've got the vaccine rollout roaring ahead, and therefore there's a slight puzzle. Is it possible, just as it was back in Christmas when we were talking about the Kent situation, that there are new variants starting to spread around the country?

RS: Well, that's not what I've seen in any of the data. It's important that we keep following all the rules. We're making fantastic progress. And the prime minister's set out a road map which I think, rightly as he said, hopefully cautious but irreversible. And we can take enormous confidence from the vaccine rollout.

AM: Yet there is this slightly strange thing in the figures. If it's not a new variant, then presumably it's because people are ignoring government instructions.

RS: Well, I think it's important that we follow the rules and we've got a set of rules for a reason. We want to suppress the spread of this virus whilst we roll out our vaccine – which is going fantastically well. We also have very good early data that the vaccines are working, that they're effective, which can give us confidence in the road map that the prime minister set out. And with regard to variants, we always have to be – keep a watchful eye on all of those. And between our world-leading genomic sequencing, the surge testing, the contact tracing and just the low

level of the virus, those are all things that will help us keep an eye on that.

AM: But you've got no evidence of more variants circulating the country at the moment?

RS: No.

AM: Okay. This is a perilous moment in some respects – I use that word again but summer's coming, the weather is better, there are more and more people outside, is this a possible moment when we take our foot off the brake and the country goes through the same kind of thing that we saw first time round, when we opened up quite quickly and then there was a huge second surge and we've been living with the consequences ever since? Is this a similar kind of moment, potentially?

RS: Well, the big difference between last year and now is that we are vaccinating everybody with vaccines that the data shows are highly effective. That's the enormous difference we have. We're making great progress and it's fantastic to see what the NHS is doing with that. I would urge everyone to go and get their vaccine when it's their turn. And that's what can give us confidence that the road map that the prime minister has set out, with the dates spaced as they are to allow us to look at the data as it comes in after each step, provide a cautious but irreversible route back to freedom and our lives getting back to normal.

AM: Well, let's remind ourselves about one memorable moment during that first period. There are no masks here, this is you moonlighting and Jonathan Van Tam said this week about this, he said, 'when you put people together to eat and socialise over a meal, over a table, as we all like to, and maybe a little drink is also consumed at the same time and the volume goes up, of course it is likely there is some transmission.' Was that a mistake and you going to do the same this summer?

RS: Well, the hospitality industry – if you're asking is it a mistake to open the hospitality industry –

AM: What happened transmission?

RS: Well, the hospitality industry – well, first of all, lots of things we do cause transmission, right. And we have to balance all of these things and those are difficult decisions that we all have to make, whether it's what's the right time to bring our children back to school, reopen businesses –

AM: I'm talking very specifically about eat out to help out, and I'm asking you whether you now think with hindsight that was a mistake?

RS: No, because the decision that we made was to try and do our best to protect the over two million people that work in that industry. And you talked about young people before and the tragedy this crisis has caused for their employment prospects. Young people disproportionately work in that industry, as do women, as do those who are on lower income. So it was a matter of social justice. Trying to protect those jobs I believe is incredibly important. And that's why, for example, today our grants of up to £18,000 for those types of businesses will also help protect those kinds of jobs.

AM: Will you do it again?

RS: No, I'm not going to talk about future policy, but I think what we saw from last time around is that as restrictions are lifted consumers do come back, consumer spending does rise. But I also want to make sure that businesses can play their part in the recovery and we want to make sure that business investment also recovers strongly. That will be something that will help drive our recovery and we'll look at all of those things together.

AM: One thing that an awful lot of businesses would help a lot is some kind of vaccine certificate, or so-called vaccine passport. What's your own view off that?

RS: Well, there are complicated ethical, practical issues.

AM: My question is once every adult in this country has been offered a vaccine what is discriminatory about refusing to let them

into a restaurant or a club or whatever it is if they haven't been vaccinated?

RS: Well, not everyone is able to have the vaccine for health reasons for some of them, to give you one particular example, and then we need to make sure that there would be a robust way to verify everyone's vaccine status. Which is why the prime minister has established a review, and we will look at exactly all of these questions and work with business and others to see what the right answer to this question is. Obviously it's a complicated but potentially very relevant question of helping as we open particularly those parts of our country like mass events. So that's what the committee and the review will do, is work through all of those questions and then we will come to a view on this in a few months' time.

AM: And what is your own personal opinion about vaccine certificates? Do you think they could be helpful to the economy?

RS: Well, I think I want to go through – not pre-empt the findings of the work that we're going to do bringing together both our health and scientific advisers, working with business and others, but also that's the right way to go through this. This is a new thing that we're confronting, it's right that we work through the challenges, raise the issues, see what can be addressed, see what the benefit is and do that in a sensible and pragmatic way.

AM: You mentioned vaccines just now, and it seems to be evident that it's moving ahead even faster than we thought. It's been very, very successful. Do you think there's a possibility we could ease restrictions a little earlier than we thought as a result?

RS: No, that's not what the prime minister has said. These are the earliest dates by which things can happen. But I think you're right that we should take comfort and confidence from the fact that the rollout is going well, that the data that's coming back about the vaccines' effectiveness is also coming back strongly and hopefully this is a cautious but irreversible one way ticket to getting our

lives slowly back to normal. That's what we all want to see. But it's right that for now we follow the rules, we go and get our vaccine when we're asked, and hopefully we can make progress.

AM: You used the word irreversible just now. As we sit here now can you envisage us ever going back into another full lockdown?

RS: Look, as we've said, we can't make guarantees. But we're trying to do everything we can and be as cautious and careful as we can so that it is irreversible.

AM: I'd like to turn to Brexit now if we could. Back in 2016, when you were a leading advocate of the Vote Leave campaign you said this: you said, 'nationally only five per cent of businesses export to the EU, yet all businesses are stifled by excessive EU red tape.' Now, we've covered some of the stories about that five per cent on this programme over the weeks. Are they simply collateral damage?

RS: No. All businesses are important to us and particularly important to me, and that's why we've put lots of support in place for those businesses to help them prepare for the changes that come from leaving the EU, which we were always clear about, there would be changes. So most recently, for example, providing vouchers for small traders to help them get the skills that they need –

AM: It's clearly not enough, because so many businesses are on the edge of going under, or have gone under. We're hearing all around the country from different kinds of businesses who simply can't cope with the new red tape and the new obstructions to trade across that border.

RS: Well, if you look at trade flows actually they are relatively similar to where one might expect. And I think that's because of the enormous work we've done supporting traders, where there's something called the Trader Support Service in Northern Ireland which we've spent over £200 million on, for example, the new vouchers for small traders elsewhere, infrastructure investment

support and borders. But you talk about Brexit and the change, I look forward and what I see are the opportunities we have as a country to do things differently, to be entrepreneurial, to be innovative. We've seen that with the vaccine success. We can see it in industries like Fintech, financial technology, where we've just announced the new scale up visa. So the post-Brexit future economy that I can see is one that fills me with enormous confidence and optimism.

AM: Let's talk about the City very briefly – that's where you come from. Now, they lost of course their prime position to Amsterdam in terms of European equities, and a lot of people in the City are looking to you for help and direction about where next. What do you say to them?

RS: First of all it's an industry that is very important to me. It's important to the economy. It employs a million people, it's not something that's based in London. And it's something that we should be enormously proud of because it's something that we're world class at.

AM: We've been cut out of lots of aspects of European life now.

RS: With regard to Europe, of course we live in a competitive world, other people are always going to try and look after their interests. What we need to focus on is making sure we're doing everything we can to support the competitiveness of that industry. Which is why back in November I set out a series of initiatives that would ensure that we remain a dynamic competitive place to do business, whether that's in Fintech, whether that's in listing with the new IPOs or green finance.

AM: Sorry, final philosophical question: The pandemic's roared for at least a year, it's going to be at least a year before the recovery is properly in place, and we're talking about the autumn of next year. In the autumn of next year, do you want to see the size of

the British state start to come down so it's less big than it was at the beginning of the parliament?

RS: Well, looking back before we look forward, Andrew, what I said a year ago, I said I would do whatever it takes to support the British people, families and businesses through this crisis. We were faced with an extraordinary situation. It required the government to do – and me – to do things that we hadn't ever done before. I believe those were the right things to do, to have acted in this way, and next week you will see us continuing to do that, to support the economy through this difficult time.

AM: In the long run do you think the state should be bigger or smaller?

RS: I think the state right now needs to do what the state needs to do, which is protect people and families and businesses as we go through this crisis. That's my focus. But also to level with people about the challenges we face and be honest and fair about our plans to address them. That's what you'll see on Wednesday.

AM: Alright, we look forward to it, Chancellor. Thanks very much indeed for talking to us.

(ends)