

RT HON PHILIP HAMMOND, SPEECH TO CONFERENCE

3rd October 2016

It's a pleasure to be introduced by one of the stars of the 2015 intake.

Amanda, you held off a ferocious pincer movement in Cannock Chase....

...from Labour on one side and UKIP on the other.

Your result was one of the highlights of that night last May and we congratulate you on a fantastic achievement.

It's great to be back in Birmingham – and a privilege to address this conference as Chancellor of the Exchequer.

I don't think I am giving away any state secrets in admitting that I just might have hoped to have been a Treasury Minister a little bit earlier in my political career!

In fact, having been Shadow Chief Secretary for the three years up to the 2010 General Election, I rather think that Liam Byrne's infamous note to his successor – remember it? - "*Dear Chief Secretary, I'm afraid there is no money*" – I rather think it was intended for me.

But it went to David Laws. Who published it!

And so it became, perhaps, the shortest political suicide note in history!

Liam, that message to your successor was an admission of Labour's abject failure.

My predecessor didn't leave me a note.

But if he had, here's what it would have said:

"Dear Chancellor, Employment is up; Wages are rising; the Deficit is down and income tax has been cut for tens of millions of people."

That is the Conservative record. That is the difference Conservative leadership makes.

Anyway, I got to the Treasury in the end!

I even went down to look at the Gold Reserves at the Bank of England last week.

Well, what's left of them after Gordon Brown sold half of them at the bottom of the market, losing British tax payers £7 bn.

Another example of Labour failure.

Unlike Brown, I'm fortunate to have an excellent team supporting me in the Treasury.

David Gauke as Chief Secretary; Jane Ellison as Financial Secretary and Simon Kirby as Economic Secretary.

All ably supported by our Commons Whip Steve Barclay and our PPSs John Glen and Craig Williams.

We last met in this hall two years ago, on the eve of the fight of our political lives.

A fight between two very different visions of the future.

Our, Conservative, vision of a Britain moving forward with a strong economy supporting strong public services.

And Labour's offer of a Britain going back to the bad old days of tax, spend and waste.

It is a credit to your hard work...

...and the good sense of the British people...

...that we won that fight.

And we should not forget the debt that this Party owes to the man who led us out of Opposition and into Coalition...

...and then on to form the first Conservative Government in 18 years:

Our former Leader and Prime Minister, David Cameron.

Today, my friends, we meet on the eve of a different challenge.

No less daunting.

No less crucial to the future of our country.

That vote on 23rd June – the first of its kind in Europe – was a defining moment. Not just of this Parliament, but of this generation.

The moment when the British people decided to change direction and map out a new path for our country's future.

And whichever side of the argument we were on, we shouldn't forget this:

Only one mainstream political party was prepared to give the British people their say;

Only one party delivered that referendum.

And only one party unhesitatingly accepted the result.

This great party, the Conservative Party.

That result in June gave clear voice to a desire by the British people for an end to political union and a restoration of control:

Control over the rules and regulations that govern their lives;

Control over who can live and work in their country;

And control over how their money is spent.

And I can reassure the British people of this: that message has been received, loud and clear!

No ifs, no buts, no second referendums. We are leaving the European Union.

But it is equally clear to me that the British people did not vote on June 23rd to become poorer, or less secure.

So our task is clear: repatriate our sovereignty; control our borders; and seize the opportunities that the wider world has to offer....

...but do all of this while protecting our economy, our jobs and our living standards.

The message may be simple, but the process will be complex.

Successful negotiation with the EU27 will demand patience, experience, meticulous planning and steely resolution.

And I know of no-one better-equipped to lead us through those negotiations than our brilliant new Prime Minister, Theresa May.

And we should approach that negotiation with self-confidence.

Our economy is the fifth largest in the world...

Our nation is built upon a history of global trade....

Our people are responsible for some of the most significant inventions and discoveries of history.

So no-one should be in any doubt that we have the skills, the ingenuity and the determination to make a success of Brexit.

Starting from a position of strength

And thanks, in no small part, to the actions of my predecessor, we enter those negotiations from a position of fundamental economic strength.

It's easy to forget, six years on, the scale of the legacy of Labour's Great Recession that we inherited in 2010.

Turmoil in the markets.

A banking system still reeling from the crisis.

A deficit of more than 10% of GDP, the highest in our peacetime history.

An economy on the brink.

It was the decisions George Osborne took in those early days that pulled us back from the precipice.

And set us on a course to recovery.

The tough early choices...

...and the doggedness in sticking with them...

...delivered that intangible, but indispensable commodity: credibility.

Credibility in the markets that helped secure record low borrowing costs.

And credibility with business, securing the investment that supported our recovery.

And the results are clear for us all to see:

2.7 million more people in work today under a Conservative Government than in 2010 under Labour.

Did we hear that achievement being lauded in Liverpool last week?

Of course not...

Because Corbyn's Labour Party has abandoned the agenda of working people...

... deserting the middle ground of British politics...

...in favour of the socialist ideology of the Metropolitan left-wing elite.

Leaving us, the Conservatives, as the true party for working people.

Of course, for much of his time as Chancellor, George Osborne faced Ed Balls across the despatch box.

Remember Ed Balls?

I know you remember him from Saturday night – I'm asking if you remember him from when he was Shadow Chancellor?

(you know, of course, that Ed was not their first choice for Strictly? They were going to ask Corbyn – but then they discovered he's got two left feet!)

Yes, I saw Ed on Saturday too – and, not to sound too much like Craig Revel Horwood, I think his Charleston is probably better than his economic analysis!

He told us back then that our policies would push the economy into recession.

But he was wrong: since 2010, Britain has grown faster than any other economy in the G7.

He said we would never replace lost public sector jobs with new private sector jobs.

But we did: not one for one – but seven for one!

And that's not all:

We got our deficit down by nearly two thirds.

We've cut the welfare bill.

We've kept mortgage rates low, protecting millions of homeowners through difficult times.

We've cut income tax for 30 million people...

...taking four million low-paid workers out of income tax altogether.

Not bad for an economy that looked out-for-the-count when we took it over in 2010.

And a record of which this Party can be very proud.

But we cannot rest on our laurels.

We must look to the future...

...to the economic challenges ahead.

Let's start with the immediate challenge:

The markets have calmed since the referendum vote.

And many of the recent data have been better than expected.

That is the clearest demonstration of the underlying strength of our economy.

But there is no room for complacency.

Many businesses which trade with the EU are uncertain about what lies ahead.

They have understandable questions about the process of the negotiations.

About the deal that will be done.

About the changes they will have to make to adapt to the post-Brexit world.

And about what it will all mean for their employees, their company, their business model.

I understand their concerns: business hates uncertainty.

But let me repeat the Prime Minister's pledge yesterday:

As we negotiate our exit from the EU...

...and our future relationship with it, this Government will fight for the best possible deal for British business and British workers.

The best possible access to European markets for our manufacturing and services industries.

And the best possible freedoms for our entrepreneurs and global exporters...

...ensuring Britain after Brexit will remain one of the best places in the world for a business to invest, to innovate and to grow.

The independent Bank of England successfully cut interest rates to restore confidence in the wake of the vote.

But as the economy responds over the coming months...

...fiscal policy may also have a role to play.

So let me be clear.

Throughout the negotiating process, we are ready to take whatever steps are necessary to protect this economy from turbulence.

And when the process is over, we are ready to provide support to British businesses as they adjust to life outside the EU.

Because Brexit does mean Brexit...and we ARE going to make a success of it!

And in the meantime, I can offer some additional certainty to British businesses and other organisations bidding to receive EU funding while we're still a member.

I've already guaranteed the funding for projects signed prior to this year's Autumn Statement.

Today, I can go further.

The Treasury will offer a guarantee to bidders whose projects meet UK priorities and value for money criteria...

...that if they secure multi-year EU funding before we exit...

...we will guarantee those payments after Britain has left the EU.

Protecting British jobs and businesses after Brexit.

As Conservatives, we know that no one owes us a living; that a country has to live within its means. And a fundamental part of maintaining our global competitiveness is getting our public finances back in order.

We should, of course, be proud of our achievements in fiscal consolidation.

But the work that we began in 2010...

...is not finished.

The deficit remains unsustainable.

And the decision to leave the EU has introduced new fiscal uncertainty.

Last year, the government borrowed £1 in every £10 we spent.

And piling up debt for our children and our grandchildren to pay off is not only unsustainable...

...it's unfair...

...and it's downright un-Conservative.

The British people elected us on a promise to restore fiscal discipline.

And that is exactly what we are going to do.

But we will do it in a pragmatic way that reflects the new circumstances we face.

The fiscal policies that George Osborne set out were the right ones for that time.

But when times change, we must change with them.

So we will no longer target a surplus at the end of this Parliament.

But make no mistake.

The task of fiscal consolidation must continue.

And it must happen within the context of a clear, credible fiscal framework that will ...

...control day-to-day public spending....

...deliver value for money...

...and get Britain back living within our means.

At the Autumn Statement in November I will set out our plan to deliver long-term fiscal sustainability...

...while responding to the consequences of short-term uncertainty...

...and recognising the need for investment to build an economy that works for everyone.

A new plan for the new circumstances Britain faces.

A Conservative Government demonstrating the flexibility, the common sense and the pragmatism that has made our party the most successful political party in British history.

Contrast this responsible, balanced approach with the shambles of Labour in Liverpool last week.

In denial about their record in office.

Deluded about the state of the public finances today.

Not once did Jeremy Corbyn apologise for the mess that Labour left behind.

On the contrary, his Shadow Chancellor says their mistake was not to have spent more!

If you think their past record is bad...

...look at their plans for Britain's future.

Corbyn's big idea is to spend an extra half-a-trillion pounds.

That's £7,700 for every man, woman and child in the UK.

(I just hope he remembers to water that magic money tree every night before he goes to bed!)

Now, we could speculate as to how Labour would pay for such a spending splurge...

...but fortunately we don't have to.

Because we have the answer from Labour's last Shadow Chancellor, Chris Leslie.

This is what he said last week about how Labour would fund Corbyn's plan:

"you'd have to double income tax. You'd have to double National Insurance. You'd have to double council tax. And you'd have to double VAT as well."

So, there you have it – Labour condemned out of the mouth of one of its own as totally unfit to govern this country.

With nothing to offer the hard-working people of Britain.

And, as always, it would be the poorest and the most vulnerable who would pay the biggest price.

My friends, we in this party now have a great and solemn responsibility, because we alone carry the burden of ensuring that Labour can never again wreck the British economy.

The Conservative commitment is to build a country and an economy that works for everyone.

To raise our living standards and grow our national wealth.

Not just for today, but for future generations too.

We know how to do that, we Conservatives. We've proved it time after time. Cleaning up Labour's mess again and again.

We will do it by making the British economy the most outward-looking, most dynamic, most competitive, high wage, high skilled, low tax economy in the world.

We will do it by making sure that after Brexit, we go on attracting the brightest and the best...

...the highest skilled and the most dynamic...

...entrepreneurs, scientists, engineers and managers from around the world.

Building a strong and vibrant economy as the bedrock of our strong and vibrant society.

A Conservative vision of the future of Britain.

And I'll tell you, it's a million miles away from the la-la land Labour were describing in Liverpool last week.

But to deliver that strong, prosperous, economy...

...requires long-term, sustainable growth.

And long-term sustainable growth requires us to raise our national productivity.

Now, before you switch off, I know that productivity doesn't necessarily set political pulses racing.

But bear with me while I try to convince you that it should!

How about this?

You probably know that our national productivity is lower than the US and Germany...

...perhaps you even feel somewhat resigned to that fact?

But did you know that it is lower than France.... and Italy too?

And had you made the connection about what that means in the real world?

Because it means that millions of British workers are working longer hours for lower pay than their counterparts in Europe and the US.

That has to change if we are going to build an economy that works for everyone in Britain.

If we raised our productivity by just 1% every year, within a decade we would add £250 billion to the size of our economy; £9,000 for every household in Britain.

So productivity should set political pulses racing.

It's a decades-old problem. Swept under the carpet for far too long.

But under this Government, we are going to put it in the spotlight, right at the forefront of our policy agenda...

...and at the heart of our industrial strategy.

We know where to start:

Our productivity performance is grossly uneven.

Still too reliant upon a few key sectors.

Still too focussed on London and the South East.

The good news is that we do know how to do productivity.

Parts of London have the highest productivity in Europe.

The bad news is that the productivity gap between our capital and our 2nd, 3rd and 4th cities is greater than in any other major economy in the world.

Closing that gap will be key to Britain's future outside the EU.

That's why we are doing regional devolution deals...

...and why tackling those regional differences will be one of the key drivers for the industrial strategy that Greg Clark is developing now.

And then there is the skills challenge.

We've made huge progress over the last six years.

How many people, ten years ago, would have believed that in every year since 2014, Maths would be the most popular A-level subject in English schools?

But it was.

What a tribute that is to Conservative education reforms.

But despite the progress, there is still a huge gap between our skills base and that of our key competitors.

It's holding people back from achieving their full potential.

And it's holding our nation back in the global race.

And there's more.

Our stock of public infrastructure – like our roads, railways and flood defences – languishes near the bottom of the developed-countries' league table after decades of under-investment.

And our businesses, too, are not investing enough.

All of this must change to build an economy that works for everyone.

We need to close that gap with careful, targeted public investment in high value infrastructure...

...and encouragement of more private investment in British businesses.

And if we are going to see economic growth distributed more evenly across the regions and sectors of our economy...

...and more fairly between the generations...

...there's another big challenge that needs to be tackled:

The unaffordability of housing.

Because despite the action we've taken...

...fewer and fewer young people are able to afford to get their foot on the first rung of the housing ladder and buy their own home.

Quite simply, we're not building enough new homes.

This is a long-term challenge.

But there are short-term measures we can take.

And the package of measures announced by Sajid Javid earlier:

- The £3 billion Home Builders' Fund
- And £2 billion of new investment for accelerated construction on public land...

...is a clear demonstration of this Government's determination to tackle this challenge using all the tools at our disposal.

Because making housing more affordable will be a vital part of building a country that works for everyone.

And this Government is determined that the dream of home ownership should be for the many, not the few.

Ensuring we have world class infrastructure is vital to maintaining our competitiveness...

...but it is a very long-term agenda.

One that can be, and often has been, knocked off course by short-term political considerations.

That's why we announced the National Infrastructure Commission.

To define independently the nation's long-term infrastructure needs...

...to prioritise and plan...

...to test value for money...

...to ensure that every penny spent on infrastructure is properly targeted to deliver maximum benefit.

And today I recommit to putting the Commission at the very heart of our plans to renew and expand Britain's infrastructure.

Making sure that it is long-term economics, not short-term politics, that drives Britain's vital infrastructure investment.

...

Part of Britain's productivity transformation will come, of course, from innovation.

But the new, disruptive, technologies which are right now making their way from university labs and company R&D facilities into early stage production...

...offer Britain a much bigger prize than incremental productivity improvements.

Because at the cutting edge of many of these new technologies, the UK is becoming a world leader once again.

Not just in the science.

But in the application of it.

And in the innovation that follows.

Over the last few years, unnoticed by most of us, entrepreneurs and scientists from home and abroad have been turning Britain into a hub of tech innovation.

And global businesses have followed, hungry for the inventions and innovations they are generating...

...developing technologies that will change fundamentally the way we work and the way we live.

Driverless cars, Graphene, the Internet of Things, artificial intelligence, 3D printing, virtual reality, advanced robotics.

I'll be honest with you: I had no idea until a few weeks ago just how much I don't know!

And even less idea how much I wouldn't be able to understand even once it had been explained to me!

But this is the future!

A whole new world that would have sounded like science fiction just a few years ago – but is now a reality taking shape in laboratories, incubators and factories across Britain.

There is a once-in-a-generation opportunity for Britain...

...to cement its role as a leader in tech innovation.

And my ambition is clear: I want to see what is invented here, developed here.

I want to see what is developed here, produced here.

I want to see jobs, profits and tax receipts here in Britain.

The fruit of British genius being harvested here in Britain as we move into a fourth industrial revolution...

...creating jobs, wealth and success...

Future-proofing the economy of post-Brexit Britain.

We are well placed to do it.

More competitive than ever.

Up to 7th place in the world league table last year, from 10th the year before.

We have world-leading universities and research institutes.

...a trusted legal system...

...an advantageous time-zone...

...the English language...

...and vibrant markets.

At 20 percent, we have a highly competitive Corporation Tax rate.

And as it falls to 17 percent over the next three years, it will be more attractive still.

Of course this explosion of creativity and innovation has not happened solely or even mainly because of Government policy...

...but it could easily be snuffed out by Government policy.

So, we must carefully maintain the conditions that have brought this activity to Britain in the first place.

Including the ability to attract the brightest and best to work here in our high-tech industries.

And where we see that there are Government interventions that work... we should make them.

So today I can announce a further £220 million of support to tech innovation:

£100 million to extend the biomedical catalyst fund to stimulate the transformation of revolutionary science into deliverable healthcare interventions.

And a further £120 million to nurture the tech transfer offices that put universities and entrepreneurs together to get the science from the lab into the factory.

A Conservative Government – investing in Britain's future.

I have made my argument that we will not overcome Britain's productivity challenge unless we tackle the serious inequalities in performance between cities and regions.

That's an economic analysis.

But this is about politics too.

One of the key messages of the referendum campaign was that large parts of our country feel left behind.

They see the country getting richer, but don't feel part of that success.

A dangerous divide is opening up between those who believe they have a stake in the success of our economy and those who do not.

It is one of the central missions of this government to tackle that divide...

...to see the benefits of economic growth shared more evenly across the regions, and across the generations.

A key part of this agenda is harnessing the economic power of our cities.

The Northern Powerhouse project takes a visionary approach...

...linking the great cities of the North into a coherent economic entity...

...an interconnected region that raises productivity and delivers growth by making it easier and cheaper for firms and individuals to move goods, people, and ideas.

And I pledge today, that the Treasury, under my leadership, will continue to drive the Northern Powerhouse project ...

...working in partnership with local leaders to see it deliver its potential for people in the North.

But our ambition isn't limited to the Northern Powerhouse.

We want to create the conditions for success in the North, the South, and everywhere in between.

And there is nowhere more ripe to benefit from a similar approach than the Midlands.

The Midlands Engine, with its hub here in Birmingham, powers 11.7 million lives...

...generates £220 billion of Added Value to the economy....

....produces 18 percent of UK goods exports....

....and more than a fifth of UK manufacturing output.

In this great region, there are 320,000 more people in work than there were in 2010.

But both productivity and economic growth have lagged behind the UK average.

So we have developed our Long Term Economic Plan for the Midlands.

And it is already delivering.

But we can, and will, do more.

We are working with the West Midlands Combined Authority on a second devolution deal to include new powers on transport, criminal justice, data, planning and skills.

And with Andy Street, our fantastic Conservative Mayoral candidate for the West Midlands, now in place, a great future is within the region's grasp.

It will certainly never be knowingly undersold!

The Northern Powerhouse; the Midlands Engine.

Two great projects that can be emulated across Britain.

Indeed, I suspect the limiting factor may only be our ability to think up snappy titles for new regional projects.

But be assured – we have passed a tipping point in devolution in this country.

A decisive and irreversible shift in economic and political power...

...and Britain's economy will be the better, and the bigger, for it.

Conference, the British people have made a bold decision.

Our party trusted them with the nation's future in a referendum...

...and now they trust our party to deliver on their decision.

We will not let them down.

We are going to leave the European Union.

To repatriate our laws.

To assert the supremacy of our courts.

To control our borders.

But we are not going to turn our backs on the nations of Europe.

Let us resolve that as we leave their Union...

...we will remain the best of neighbours...

...the closest of trade associates...

...the strongest of security partners.

But our economic future must not be defined by Brexit alone

So as we tread the path to becoming an independent, sovereign country once again...

...and forge a new and exciting role for our nation in the world...

...let us resolve to tackle the challenges we face at home with renewed vigour:

Dealing with the deficit.

Raising our productivity.

Rebalancing our economy.

Rebuilding our infrastructure.

And ensuring that everyone, in every part of our country, can contribute to, and benefit from, the growth that follows.

Paying our way in the world;

Standing tall amongst our competitors;

Attracting the brightest and the best...

...to deliver the vibrant, successful economy that will mean...

...when future generations look back on our decision in 2016...

...they will see not the end of an era...

...but the beginning of a new age...

...not a country turning inward...

...but a nation reaching out...

...decisively, confidently to grasp new opportunities.

A bigger, better, Greater Britain.

Truly, a country that works for everyone.