

Speech: Chancellor speech: CBI Annual Dinner 2018

[Check against delivery]

Thank you, Paul.

And let me join you in commemorating those who lost their lives and those who were injured during the appalling attack in Manchester, a year ago today...

...our thoughts this evening are with the families and friends of those affected.

As ever it's a pleasure to speak to you tonight.

And what a week it has been.

The Royal Wedding; the FA Cup Final; and now the CBI dinner!

And I'm especially pleased to be here this evening to mark the end of Paul's three-year tenure at the helm.

I was doing a little research and stumbled across an FT interview with Paul in 2011.

When asked "which historical or fictional character do you most identify with?", Paul replied, with characteristic modesty: "Nelson Mandela".

[History will determine!]

Paul, congratulations on the achievements of your Presidency, and thank you for the leadership you have shown.

It was Nelson Mandela, reflecting on his first 100 days as President, who noted that "on occasion, strong language has been used to drive home a strongly held belief"...

...and he reassured his audience that this was a sign of "a robust, vibrant democracy, with broad consensus on the most important national questions".

Paul, I will welcome your speech tonight as a sign of our "robust, vibrant democracy"!

Because we are in broad agreement on the big questions facing our country and our economy.

We agree that:

We must rebuild a consensus for the liberal market economy as the best way to deliver future prosperity.

We must embrace digital technology, and ensure Britain is at the forefront of the technological revolution.

We must invest in skills and training – to ensure the next generation is prepared for the economy of the future.

We must build the world class infrastructure and invest in the R&D needed to ensure Britain stays ahead in the global race.

We must raise our productivity – and thus deliver higher wages for people up and down this country.

And yes, we must deliver a Brexit that prioritises jobs, growth, and prosperity.

And it is absolutely my belief that central to all of this, is listening to business, and believing in the power of business to deliver higher living standards, and spread greater prosperity.

I can promise you, Paul, business advice is a welcome input, not an “inconvenient truth”!

So I hear the concerns you have set out tonight about the Brexit challenge...

...but I remain confident.

And, by the way, when Donald Tusk says Brexit is the “saddest moment in Modern European history”...

...I assume he didn’t see this year’s Eurovision.

The PM has always had a vision for a close economic partnership between the UK and the EU...

...a partnership that protects supply chains, and established trade relationships...

...that backs businesses, and safeguards jobs...

...and that promotes the values that we share across the continent of Europe.

We have made good progress:

In March we agreed on an implementation period...

...which allows “business as usual”...

...and ensures you only have to navigate one set of changes.

Focus has now moved on to our future economic partnership, and in particular the customs relationship.

I have listened to the four customs tests you have set out tonight...

...and we share your aspirations to minimise frictions and burdens...

...to avoid new barriers in Ireland...

...and to grow British exports.

But we do not agree that staying in the customs union is necessary to deliver them.

The UK has proposed two possible future customs models...

...both are "works in progress"...

...but we are confident that, building on these two models, we can develop a solution that will allow us to move forward while meeting your concerns, Paul.

And beyond customs, we will seek a comprehensive system of mutual recognition to ensure that, as now, products only need to undergo approvals in one country to show that they meet regulatory standards across Europe...

...and we will explore the terms on which the UK could maintain a relationship with the EU agencies, such as those for the chemicals, pharmaceutical, and aerospace industries...

...as the route to deliver such an outcome.

On services, we have the opportunity to establish a broader agreement than ever before...

...including continued recognition of professional qualifications, and a labour mobility framework that enables travel to provide services to clients in person.

And an opportunity to seek a bespoke partnership in financial services...

...that will enable the ongoing delivery of cross-border financial services in both directions, while protecting financial stability and maintaining fair competition.

We made good progress in December and March, and I hope and expect we will make further progress at the upcoming June Council.

It is in the interests of both the UK and the EU to secure a mutually beneficial deal that will allow us to continue to have a close economic partnership...

...and to do so as soon as possible to give businesses the certainty they need.

I am confident that we will reach such a deal.

That is my most immediate priority as Chancellor.

But as we embark on a technological revolution that will transform our economy and our lives...

...my most important long-term challenge is to ensure that the UK continues to be at the forefront of that technological revolution, leading the world in innovation.

This is what our Modern Industrial Strategy is all about.

It isn't about picking winners...

...or propping up failed industries.

But about exploiting the synergy between the facilitating power of the state...

...and the energy of the private sector...

...to deliver the innovation that will secure Britain's future...

...within a market that is working properly and fairly.

Supporting entrepreneurship to ensure the industries of the future get off the ground...

...investing in research and development...

...ensuring that start-ups can access the finance they need to become "scale-ups"...

...and, most importantly, creating an environment where innovation can flourish.

And we're putting our money where our mouth is...

...we've committed to the largest increase in public R&D spending in three decades, as part of our ambition to raise R&D investment across the economy to 2.4% of GDP.

We're investing £640 million of public money in artificial intelligence and over £1.7 billion in autonomous and ultra-low emission vehicles...

...and in the Budget last Autumn I launched a plan to unlock over £20 billion of patient capital, for the UK's most innovative firms to grow to scale.

But we won't be able to put the UK at the front of the pack unless we have infrastructure that is fit for the future.

And that is why infrastructure is at the heart of our plan.

In the 18th century, it was canals;

In the 19th, it was the railways, and in the 20th the arterial roads and then the motorways.

In the 21st century, fibre networks will be the enabling infrastructure that drives economic growth.

We've already connected more than 95% of the UK to superfast broadband.

But we must now take the next big leap forward.

Full-fibre networks are faster, more reliable, and cheaper to operate than their copper predecessors.

Over a million premises already have direct access to them...

...70% of those connected in the last 18 months alone.

But if we are to achieve our ambition of a truly high-speed economy, and keep up with our competitors, then we need a step change in our approach.

So I am now setting a new target to see full-fibre to the premises connections being available to 15 million premises, that's the majority of homes and businesses, by 2025.

This is ambitious...

...and it will require industry to connect more than 2 million additional premises a year for the next seven years.

We won't do that by government diktat.

We will do it by creating the conditions for the market to deliver...

...and we will use all the tools at the government's disposal to ensure that target is met...

...and we'll go further, by committing to finish the job – and deliver a nationwide full-fibre to the premises network by 2033.

Running both copper and fibre networks indefinitely will not benefit either the consumer or the industry...

...so we must start thinking now about that switchover and how to sharpen the incentives for industry to move customers away from copper and on to fibre.

And Matt Hancock, the DCMS Secretary, will set out our strategy to deliver these ambitious targets in the Future Telecoms Infrastructure Review, later this Summer.

The talent of the future

The digital industrial revolution and Artificial Intelligence will bring about a step-change in automation.

This, in turn, will have profound implications for jobs, and the way we work.

And if we want our people to embrace the digital economy, we must support them when they are affected by automation...

...and help them train and retrain into the new high quality jobs of the

future.

Because just as the assembly line allowed Ford to triple the number of cars produced per worker...

...cut the price of a car in half...

...and increase employment eleven-fold...

So the digital industrial revolution will also create millions of new jobs, and huge increases in living standards...

...but that will not reassure those whose current jobs will be displaced.

So, between us in government and business we have a vital role in managing this transition;

In investing in skills and retraining;

In providing the reassurance our workforce will need.

We have made a start.

Through the Apprenticeship Levy, we are increasing the quality of apprenticeships, and the capacity of the system.

We've already seen a 25% increase in higher level apprenticeship starts.

But I recognise the new levy system presents some challenges...

...and we're listening to your concerns around flexibility, and will keep that issue under review to make sure the levy works as intended.

We're investing over £500 million a year in our new T-Level technical qualifications...

...and with the help of the CBI and the TUC we are establishing a new National Retraining Scheme...

...to help adults faced with the consequences of technological change to re-train throughout their working lives.

It's a groundbreaking collaboration and I'm delighted we were able to make it happen through the leadership of Paul and others here tonight.

But government cannot solve our nation's productivity challenge on its own.

Because it is not only about infrastructure and skills...

It is also about management.

Britain of course has many world-leading companies with globally competitive productivity...

...but there are also far too many that could be doing a lot better.

Tomorrow I will publish a call for evidence into why some businesses aren't keeping up and don't learn from the best...

...seeking ideas for how government and industry can work together to help more firms realise their potential by taking best practice.

And in parallel with the call for evidence I will announce with Greg Clark, the Business Secretary, further steps to boost firm-level productivity.

We'll invest £5.6 million to support smaller firms to adapt modern management practices and simple digital technologies, through two new pilot programmes delivered by Charlie Mayfield's Be the Business.

And we're extending our backing for the Made Smarter Digital Manufacturing strategy...

...led by Juergen Maier – and supported by the CBI.

Made Smarter will help to maintain our position as a global leader in the digital revolution...

...and so we'll provide £20 million for a pilot in the North West, to support SME manufacturers to adopt industrial digital technologies, such as robotics and data analytics.

Before I close, I want to touch on one further, important issue.

I have talked about the big opportunities ahead;

But there will be big challenges too – and challenges that go beyond the mere uptake of technology...

...to pose questions about economic governance and the organisation of society in the 21st century digital economy.

For those of us who believe in the demonstrated power of liberal market economics to deliver both prosperity and political freedom...

...this is a question about how this most resilient of economic models transforms itself in response to the challenges of technological and societal change...

...as it has done so many times before.

But if you are a politician [political content removed]

...your prescription will be very different.

For people of my generation – and looking around the room at many – though not all – of you, I see people who I think are of my generation...

...congratulations that you can still get out of an evening!

For people like us, who lived through the 1970s, the economic model [political content removed] is not a text book theory, but a vivid memory.

And for people in a small number of countries around the globe, it is a miserable reality today.

But not everyone in our society has shared that experience.

And some of a younger generation will be tempted by ideas that sound radical; maybe even "new" (even though they are rooted in a book written in the 1860s).

...because they do not feel the system is working for them.

Many of them have started their working lives at a difficult time for our country...

...emerging into the workforce as the financial crisis and its aftermath shook our system...

...and enduring a decade of recovery from it.

They look at their parents' and their grandparents' generations...

...at the home ownership levels, the defined benefit pensions, the traditional jobs...

...and they ask who or what decreed that so many of the things that previous generations took for granted, should be so much harder for them to obtain.

They are not looking for a hand-out...

...but they are looking for a reassurance that hard work will allow them, too, to achieve their aspirations for a better life for their kids.

And as we look forward to, and prepare for, the transformational impact that technology will have on our economy and our society...

...we must answer their challenge.

We must articulate how we will refresh our economic model to respond to technological change...

...in competition policy...

...in taxation policy...

...in ensuring an equitable distribution of the proceeds of growth as we manage the impact of smart automation and artificial intelligence on the world of work...

...so that it speaks to their values...

...addresses their concerns...

...and unlocks the door to the achievement of their aspirations...

...with solutions, which are framed not by the stale ideologies of the past, but by the exciting potential of our future.

Solutions that build on, not undermine, the liberal market economy that is the bedrock, not only of our prosperity...

...but of our freedom too.

I have spoken tonight of our strategy for negotiating Brexit...

...and of our vision for post-Brexit Britain.

It is a vision of an open, dynamic, evolving, market economy...

Of a Britain whose firms are at the cutting edge of technology and innovation.

A Britain with infrastructure fit for the future...

...and workers equipped with the skills they need for the challenges that lie ahead.

A Britain where government and business work together to realise the potential of unlocking Britain's productivity puzzle...

...to deliver an economy that works for everyone.

That is our vision of the prize that lies within our grasp.

And I know we can count on British business to work with us to deliver it for the British people.

Thank you.