

Speech: Davos 2018: Chancellor's speech at the CBI's British business Leaders Lunch

Over the years, Professor Schwab has had a knack of expressing the tone for the year ahead with his Davos theme.

In 2010, 'Rethink, Redesign, Rebuild' was apt as countries and companies looked to move on from the financial crisis.

Last year, in the aftermath of the American Presidential elections and the referendum results in the UK, we convened under the banner 'Responsive and Responsible Leadership'.

And this year, as the global economy gains momentum, but societal divides and geopolitical uncertainty remain, we discuss how we go about "creating a shared future for the fractured world".

Because the fact is the global economy enters 2018 with more momentum than I can remember for a decade.

The IMF has yet again revised up its global growth prospects.

Equities are hitting new highs.

Business confidence is buoyant.

And we are seeing the broadest synchronised global recovery since 2010, with the IMF estimating that 120 economies saw a pickup in growth last year.

But despite this, political uncertainty persists.

And there is an abiding sense that the benefits of economic growth and technological advances are not being shared by all.

So in the past, where Davos has been the place to proclaim the rewards of globalisation and the fruits of free trade and open borders.

Today, as winners and losers are more polarised than ever before.

World leaders and business people have a duty not only to make the case all over again.

For the societal benefits of the continued cross-border flow of ideas, goods and services, people, and capital.

Of the technological revolution.

And for sound money and the modern market economy.

But to help to ensure that those benefits are genuinely delivered to all our people.

In the UK we have heard this debate loud and clear.

It was a feature of the election campaign last year.

And of course it was a key driver behind the Brexit vote in 2016.

I'll say a few words about some of the challenges we face this year to ensure we get Brexit right.

And then I'll say a bit about how we look beyond Brexit and make a success of the opportunities provided by the new economy.

When I spoke at this lunch last year, the UK was yet to trigger Article 50.

The idea of a transition period had hardly surfaced.

Since then, we have made significant progress in the negotiations, on issues from citizens' rights, to our financial settlement.

And in December, we reached that magic point of "sufficient progress" that has allowed us to move onto the second phase of the negotiations.

But yet, two weeks ago, when I was in Berlin addressing leaders from across business, government and the media.

I was surprised to find myself still being asked whether Britain's decision to leave the EU was reversible.

So let me be clear.

Britain will be leaving the European Union on 29th March 2019.

This decision is not going to be reversed.

That's a statement of political reality.

The challenge now is not to debate the merits or otherwise of that decision.

It is about how we forge a new relationship between Britain and the EU, that best supports the interests of the British and the European people.

That backs business, and safeguards jobs.

And preserves the shared European values that we all hold.

And that's where we need people to focus their energy now.

I welcomed Carolyn Fairbairn's speech on Monday this week.

For the contribution it made to the ongoing debate.

And its focus on securing the closest possible future relationship between

the EU and the UK, post Brexit.

Because while economies across the EU are recovering, this is no time to be complacent.

None of our European economies are so strong that we can afford to be exposed to any unnecessary economic, fiscal, or financial stability risks.

And despite the enormous progress that we have made, it right to recognise that the process of the UK moving from membership of the EU to a future and different relationship with the EU, has the potential to present such risks.

And, notwithstanding the progress that we've made, there is still a residual risk of an outcome that does not deliver what we want – to promote jobs and prosperity across this continent.

The EU27 exports more goods and services to the UK than to any other country, and 43% of UK exports go to other countries in the EU.

More than twice as many Euros are traded in the UK as in all the 19 Euro area countries combined.

60% of all UK trade with the EU is conducted through the ports of Calais and Dover.

Which underlines the importance of a customs arrangement with the EU, that protects free and frictionless trade.

And avoids significant disruption at the choke points that the ports of Calais and Dover represent.

And avoids any physical border infrastructure on the island of Ireland.

Because I agree with Carolyn that those who have suggested the Irish border can be kept open by establishing a customs border in the Irish sea are only shifting the issue, rather than solving it.

I also agree with Carolyn that an off-the-shelf deal – whether “Canada” or “Norway” – is not the right option for either Britain or the EU.

The existing models won't work; because we are trying to do something which is literally unique in the history of trade agreements.

Because we start from a position of high levels of bilateral trade in goods and services.

Deeply interconnected economies and supply chains.

Highly aligned regulatory systems.

And unparalleled cooperation in security and defence.

So instead of doing what we're normally doing in the trade negotiations – taking two divergent economies with low levels of trade and trying to bring

them closer together to enhance that trade

We are taking two completely interconnected and aligned economies with high levels of trade between them, and selectively, moving them, hopefully very modestly, apart.

And so we should be confident of reaching something much more ambitious than any free trade agreement has ever achieved.

Something that properly reflects the 45 years that we have spent as members of the EU bringing our economies closer together, and the common regulatory starting point that follows from that experience.

But, as I know people in this room are very much aware, the UK will leave the EU on 29th March 2019. That's in just over 14 months time.

And businesses and people in the UK and across the EU need to know very soon how we get to the end state.

They need to have confidence that there will be a smooth and orderly path to the new arrangements, rather than a disruptive and dangerous cliff edge.

That is why we agreed in December the principle of a time-limited Implementation Period of around two years after we have left the European Union.

Where Britain will be outside of the EU Customs Union and the Single Market, but during which we will replicate the effects of both.

With reciprocal access to each other's markets.

And harmonised customs arrangements, ensuring a frictionless border.

So that business can continue, pretty much as before.

And so that businesses only have to make one set of adjustments during the whole process of the UK's departure from the EU

Recognising, as we clearly do, the obligations that will continue during such an implementation period.

And we should look to the March European Council to confirm the detail of this agreement.

Giving further clarity and certainty to UK and European businesses.

Of course, achieving progress on the Implementation Period and the future partnership negotiations is of vital importance to the UK economy in the short term.

And it is my current absolute priority as Chancellor...

But the long-term future of Britain's economy is about much more than Brexit.

As you have heard me say before, and will hear me say again.

We are on the brink of a technological revolution.

And you don't have to be in Davos to experience it.

Artificial intelligence is transforming our hospitals.

Robotics is remodelling our supply chains.

Big data is revolutionising our public services.

And this time it isn't just British Universities doing the inventing and the discovery, it is British business and industry.

Leading the innovation, the development, and the commercialisation.

Pioneering a revolution that will transform the global economy and the way we live and work.

And that has the potential to dramatically increase people's living standards – through delivering a significant upgrade in our productivity.

This is critical to the future of the UK economy.

And it's critical to addressing the societal challenges to which I have already referred.

Because it cannot be right that it takes a British worker until Friday evening to produce what a German worker has produced by Thursday afternoon.

And the technological revolution we are embarking upon gives us the perfect opportunity to change all that.

It is said that robotics in manufacturing and IT have already improved global productivity by 0.4 to 0.6% per year.

Other studies have suggested that artificial intelligence could double economic growth rates in advanced economies by 2035.

And this isn't all about virtual reality and driverless cars.

Ocado already uses AI to forecast demand for 50,000 items.

Meaning the suburban middle classes is already blazing the trail for artificial intelligence – the fourth industrial revolution in Britain.

But there are those who watch this gathering technological revolution with some concern.

Where people in this room see driverless cars and robotics as opportunities, others, perfectly rationally, see them as threats to their living standards and their employment prospects.

And our job, as leaders in government and industry, is to ensure that individuals, firms, and the whole economy are able to reap the benefits of this the new technology, and manage the disruption that it will bring.

At the level of the individual, people must feel that technological change will make them better off, not unemployed.

So not only must we ensure that people have the skills to maintain their employability through the change, we must ensure that they benefit from it in higher earnings.

In other words – returns from the greater productivity delivered through new technology cannot just go to capital, they must flow to labour too.

So that, as this year's Davos theme implies, the "proceeds of technological change" as we might call them, are spread to the many – not just concentrated in the hands of the elite few.

And it is not only workers who will be challenged.

At the firm level, new technology will have significant implications as intermediaries become redundant and business models are challenged.

Technology-enabled platforms will bring consumers and suppliers together directly in delivering services from finance to communications, to healthcare, and disrupting existing market structures and supply chains.

And at a macro-economy level, this technological revolution will connect billions of people and businesses around the world.

Rendering geographical distance an increasing irrelevance for the delivery of services.

While at the same time reducing the significance of labour cost (and perhaps the significance of economies of scale).

Allowing manufacturing, once again, to be located close to the point of consumption.

And like the revolutions that have preceded it, this technological revolution has the potential to raise global income levels, and improve the standards of living of people around the world.

But to realise this potential we will have to overcome profound new challenges, from the labour market to taxation, from regulation to income distribution that it will bring.

This won't all happen overnight.

And as we saw this week with a robot assistant getting fired from its job in a supermarket in Edinburgh, it won't all be smooth sailing.

But it is happening around us already.

And it is not going to be stopped.

So our choice is simple.

Embrace it.

Meet the challenges and reap the benefits.

Or hide from it and awake to find the world has moved on and left us behind.

I am clear, and certainly for an open economy like Britain, we must embrace this challenge.

Run towards it and champion the benefits it brings to our people.

And it is incumbent on all of us – governments and businesses around the world – to work closely together to demonstrate to our societies that we harness this potential to deliver a high wage, high growth economy.

Confident that together we can drive prosperity for all of our citizens.

Thank you

[News story: New navy warship accepted by Defence Minister](#)

The 90-metre warship, which successfully completed her maiden sea trials in December, will soon be sailed to Her Majesty's Naval Base Portsmouth, where she will be commissioned into the Royal Navy and prepare for counter-terrorism, anti-piracy, anti-smuggling and other maritime Defence operations.

During his visit the Minister also announced key milestones in the UK's Type 26 Frigate programme – the start of production of the next section of hull for HMS Glasgow – and BAE Systems' signing of a new £5.6 million contract to establish a Type 26 electrical testing facility in Leicestershire.

Defence Minister Guto Bebb said:

Thanks to the hard work of the Clyde shipyards, HMS Forth is now ready to join the Royal Navy surface fleet and begin the vital task of defending the UK and her interests around the world.

Developing the Type 26 capability is also making great strides forward, reflecting the UK's commitment to this cutting-edge new warship, which will sustain 4,000 jobs in Scotland and right across the UK.

HMS Forth, one of five new OPVs being delivered for the Royal Navy, will enter service this year. Her sister ships – HMS Medway, HMS Trent, HMS Tamar and HMS Spey – are all expected to enter service by 2020.

The latest unit for HMS Glasgow, which will extend over two deck levels and house the ship's two large electric drive motors and associated shaft line, is now under construction and will weigh 132 tonnes once complete.

It will be added to the rest of the structure of the ship as it takes shape across the Clyde in Govan.

The newly-signed Electrical Integration and Test Facility sub-contract with General Electric, enabled through a £3.7 billion MOD contract for the first batch of Type 26 ships, will establish a centre in Whetstone, Leicestershire. This facility will allow critical power and propulsion integration and de-risking tests for Type 26, ensuring the Frigates have safe and effective propulsion systems.

The agreement, which follows a previous Design Development contract signed in 2016, brings the total committed investment in the facility to around £13 million.

Director Ship Acquisition for Defence Equipment and Support (DE&S), the MOD's procurement organisation, Henry Parker, said:

Formal acceptance is a hugely important step in the delivery of any new ship and the teams at DE&S could not be prouder to see HMS Forth emerge from trials ready for delivery to the Royal Navy.

We look forward to continuing to work closely with BAE Systems to ensure successful delivery of the new OPV and Type 26 fleets.

Like her sister ships, HMS Forth will be equipped with a 30mm cannon and a flight deck capable of receiving a Merlin helicopter.

Displacing around 2,000 tonnes, they will have a maximum speed of 24 knots and will be able to sail 5,500 nautical miles before having to resupply.

[News story: Digital Charter will set new online standards for years to come](#)

The Prime Minister has given [further details](#) of the [Government's Digital Charter](#) which has been published today. The Charter sets the direction for the UK to become the best place to start and grow a digital business and the safest place in the world to be online.

Speaking at the World Economic Forum in Davos, the Prime Minister set out how, through the Charter, the UK will ensure that innovative businesses in the tech sector can thrive and the public can have the confidence and trust in the development of new technologies.

The internet has changed the way people behave and interact online. Combined with new technology such as artificial intelligence (AI), it is set to change society – growing the economy, making us more productive and raising living standards.

Alongside these new opportunities come new challenges and risks. The internet can be used to spread terrorist material, can be a tool for abuse and bullying, and be used to undermine civil discourse, objective news and intellectual property.

The Digital Charter is the Government's response to this. Its core purpose is to make the internet work for everyone. Through it the Government will agree new norms and rules for the online world and put them into practice.

DCMS Secretary of State Matt Hancock said:

The internet is a powerful force for good with the potential to benefit everyone's lives. Not only does it make it easier to shop or check the weather, but it also underpins revolutionary technologies which allow new robotics to make difficult medical procedures easier.

But there are clear challenges and we need to protect people from the potential harms. Our Digital Charter responds to this challenge and through it we will agree new standards for online behaviour to make sure the UK continues to be an innovation friendly digital economy and haven for tech investment.

The Digital Charter will follow key principles, such as ensuring the internet remains free, open and accessible, that personal data should be respected and used appropriately, and the rights people have offline should be protected online.

It will not be developed by Government alone. It will look to the tech sector, businesses and civil society to own these challenges with Government.

Priorities for the Government include protecting people from harmful content and behaviour through our Internet Safety Strategy, ensuring data is used in a safe and ethical way, looking at the legal liability that social media companies have for the content shared on their sites, limiting the spread of disinformation and making sure that companies have suitable cyber security.

Julian David, CEO of techUK, said:

The tech sector fully supports the objectives of the Charter. There

is much that we can achieve working together with Government on shared problems. Rapid and effective progress will depend upon genuine and open dialogue.

We have to ensure that proposed solutions are practical and deliverable and never lose sight of the twin objectives to have the world's safest and most successful digital economy. The economic and social potential to the UK is huge and as a sector we are committed to helping deliver that promise.

Rachel Coldicutt, CEO of Doteveryone, a think tank for digital society said:

Doteveryone is glad to see the government responding to the dramatic transformations technology has brought to society through the Digital Charter announced today. Regulation of digital technologies must be not only good for business, but good for everyone.

It is vital that the digital technologies we all rely on are made responsible, fair and inclusive and serve the needs of everyone in our society. This is an important opportunity for a public debate on how we shape our digital society and Doteveryone will continue to champion responsible technology that is good for everyone as the Digital Charter develops.

The Digital Charter aims to boost our digital economy and follows other Government work where regulation done right unlocks growth and supports business. The Financial Conduct Authority's Regulatory Sandbox scheme, for example, allows businesses to test innovative products, services and business models in a live market environment, while making sure appropriate safeguards are in place.

**Press release: Child rapist cousins
have sentence doubled**



Attorney General Jeremy Wright QC MP

Cousins who raped 2 children have had their prison term doubled after Attorney General Jeremy Wright QC MP referred their original sentences to the Court of Appeal as unduly lenient.

David Jones, 32, and Daniel Woodbridge, 31, were both under 16 when they mounted a campaign of sexual abuse against their young victims. The attacks took place between 1998 and 2000 while they were babysitting. They forcefully raped their young charges, who were aged between 7 and 10. This turned into a regular occurrence whenever they babysat the children.

Both cousins were originally sentenced to 5 years in prison after being found guilty last November at Cardiff Crown Court. The Court of Appeal has increased their sentences to 10 years.

Speaking after the hearing, the Attorney General said:

This is an abominable case where the victims suffered systematic and sustained abuse in their own home, carried out by those they should have been able to trust.

Although the lasting and severe effects of the offending should not be underestimated, I hope the increased sentence will bring some comfort to the victims.

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[News story: Prime Minister announces £20 million Institute of Coding](#)

The next generation of digital specialists will be created through the new

Institute of Coding, a consortium of more than 60 universities, businesses and industry experts set to receive £20 million to tackle the UK's digital skills gap.

Speaking at the World Economic Forum 2018 in Davos, Prime Minister Theresa May spoke about how the Institute of Coding, a key part of the government's efforts to drive up digital skills through the Industrial Strategy, will equip people of all ages with the skills they need.

The consortium is formed of businesses including IBM, Cisco, BT and Microsoft, small and medium-sized enterprises (SMEs), 25 universities, and professional bodies such as the British Computer Society and CREST.

The 25 universities involved, led by the University of Bath, range from sector leaders in business and computer science (UCL and Newcastle University) to experts in arts and design (University of the Arts) to specialists in widening participation and outreach (Open University and Birkbeck, University of London).

Universities Minister Sam Gyimah said:

A world-class pipeline of digital skills are essential to the UK's ability to shape our future. By working together, universities, employers and industry leaders can help graduates build the right skills, in fields from cybersecurity to artificial intelligence to industrial design.

The Institute of Coding will play a central role in this. Employers will have a tangible input to the curriculum, working hand-in-hand with universities to develop specialist skills in areas where they are needed most. As we have outlined in the Industrial Strategy, this is part of our ambition to embrace technological change and give us a more competitive edge in the future.

The Prime Minister also spoke about the £10 million investment in free and subsidised training courses to help adults retrain and learn new skills.

Launched as part of the Industrial Strategy, the pilot programmes, located in Leeds, Devon and Somerset, Lincolnshire, Stoke-on-Trent and the West Midlands, will test how to reach out and support people with the cost of retraining. The Government has also invested £30million to test the use of artificial intelligence and edtech in online digital skills courses.

The award follows a nationwide competition, run by the Higher Education Funding Council for England (HEFCE), to improve the way universities train people for digital careers.

The government's £20 million investment will be matched by a further £20 million from industry, including in-kind contributions such as training and equipment.

The Institute of Coding is centred around five core themes:

1. University learners (led by the Open University) – To boost graduate employability through a new industry standard targeted at degree level qualifications. IoC programmes will incorporate learning which solves real-world business problems and develops business, technical and interpersonal skills in equal measure.
2. The digital workforce (led by Aston University) – To develop specialist skills training in areas of strategic importance.
3. Digitalising the professions (led by Coventry University) – To transform professions undergoing digital transformation (e.g. helping learners retrain via new digital training programmes provided through online and face-to-face learning)
4. Widening participation (led by Queen Mary University of London) – To boost equality and diversity in technology-related education and careers (e.g. tailored workshops, bootcamps, innovative learning facilities and other outreach activities). In 2017, female programmers and software developers made up just 3.9 per cent of tech and telco professionals in the UK.
5. Knowledge sharing and sustainability (led by the University of Bath) – To share outcomes and good practice, ensuring long-term sustainability of the IoC. This will include building up an evidence base of research, analysis and intelligence to anticipate future skills gaps.

Dr Rachid Hourizi, Director of the Institute of Coding, said:

The strength of the Institute of Coding lies in the fact that it brings together educators, employers and outreach groups to co-develop digital skills education at undergraduate and masters level for learners in universities, at work and in previously under-supported groups across the country.

In addition, we'll work with our partners to target underrepresented talent through outreach activities, tailored and inclusive curricula, flexible delivery and removal of barriers to working in the industry.

BT, among others, will provide staff and training for the Institute of Coding's undergraduate and masters programmes.

Gavin Patterson, BT Group Chief Executive, said:

Digital skills are crucial to BT's current and future success, but no company can fix the UK's digital skills shortage on its own. By working together across industry and academia, the Institute of Coding will unlock access to a bigger and more diverse workforce, and support skills development for people at different stages of their careers.

We are particularly pleased that industry will have the opportunity to build on its work within the Tech Partnership and our existing degree apprenticeship schemes, setting standards and promoting degrees that are aligned to employer needs.

Professor Madeleine Atkins, Chief Executive of HEFCE, said:

The benefits to students from the Institute of Coding are clear: exciting courses designed to meet the needs of employers; exposure to leading research; and increased work experience to support the development of their employability skills and transition to work.

I am delighted that the Institute also aims to encourage more women into the digital sector.

Kathryn Parsons, Founder of Decoded and Chair of the DfE Advisory Board, said:

I strongly believe the UK can be the best place for technology education in the world. This month London was named the top European city for tech investment and the UK's digital sector is creating jobs twice as fast as the rest of the economy.

We are a nation of entrepreneurs, problem-solvers; of collaborators, and the Institute of Coding marks a further investment in this heritage. It has the power to bring together education and business to ensure we have the skills to drive innovation and be a global leader in the fourth industrial revolution.

Improving digital skills is a central part of the government's new Industrial Strategy, which sets out a long-term vision for how Britain can build on its economic strengths, address its productivity performance, embrace technological change and boost the earning power of people across the UK.

Please see below for the full list of employers and universities involved in the Institute of Coding.

University partners

Aston University • Birkbeck, University of London • University of Birmingham

• Birmingham City University • Cardiff University • Coventry University • University of Exeter • University of Gloucestershire • Lancaster University • University of Manchester • Manchester Metropolitan University • Newcastle University • Northumbria University • Open University • Queen Mary University of London • University of Bath • University of Sheffield • University of Southampton • University of Sunderland • Swansea University • University College London • University of the Arts • University of the West of England • University of Warwick • University of York

Industry partners

British Telecom • Accenture • Cisco • IBM UK Limited • Sky Betting & Gaming • QinetiQ • QA Limited • Tin Smart Social (employer group) • Unipart Manufacturing • Warwick Arts Centre • WANDisco • Waterstons Limited • Youmee • Target Information Systems • West of England combined authority • Sunderland Software City • Office for National Statistics • Orchard Information Systems • Printed.com • Proctor & Gamble • Parametric Technology (UK) Limited • Razor Ltd • Redemption Media • Sheffield Digital • Siemens • The Floop • FutureLearn • gfirstLEP • Gradbase Limited • High Tech Bristol & Bath • Hive IT • HMA Designed Solutions Ltd • Horiba MIRA • In2Science UK • IndigoBlue Consulting Limited • Information Risk Management (IRM) Information • JP Morgan • Kollider • Lightwork Design Ltd • Microsoft Limited • The National Cyber Skills Centre • Nissan Motor Manufacturing UK Limited • O2 • Institute for Advanced Manufacturing and Engineering • Arts Council England • BAE Systems • Bohemia Interactive • British Chambers of Commerce • Business West • Capgemini • CompTIA • Creative Sheffield • CREST (International) • Deloitte • Dynamo North East CIC • Emerald Business Communications • Evoluted New Media • FDM Group