

Powell: No Hurry To Lower Interest Rates; White House Rescinds Memo Freezing Federal Aid; Senators Grill HHS Nominee, RFK, Jr. Over Vaccine Views; Tech Results



Powell: No Hurry To Lower Interest Rates; White House Rescinds Memo Freezing Federal Aid; Senators Grill HHS Nominee, RFK, Jr. Over Vaccine Views; Tech Results Under Scrutiny After DeepSeek Breakthrough; Fortescue Founder On Trump's Energy Policy; Virgin Atlantic Courts Frustrated British Airways Customers After Frequent Flier Changes; Boom Prototype Breaks Sound Barrier During Historic Flight. Aired 4-5p ET

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Highlight: Powell: Waiting to see how Trump policies play out. Judge temporarily blocked Trump's plans to freeze federal aid. Kennedy: I support measles and polio vaccine. Big U.S. tech firms reporting earnings after Chinese startup DeepSeek shock with Meta, Tesla and Microsoft shares lower. **Fortescue** executive chair Andrew Forrest said U.S. President Trump must invest in renewable energy. Virgin Atlantic offering status match for top tier from 11 airlines including British Airways after passengers were frustrated by loyalty program changes. Founder and CEO Blake Scholl on Boom Supersonic becoming first private company to break sound barrier.

Body

[16:00:10]

RICHARD QUEST, CNN INTERNATIONAL HOST, "QUEST MEANS BUSINESS": Ding-ding- ding. Closing bell ringing on wall street. The Dow is off. That's obviously where the Fed interest rate decision happened. But now we've got the closing bell. The gavel. Yes Madam, please do the business to bring trading to a close. One, two, three firm gavels. All is over. Not too much damage, all things considered.

Those are the markets and the main event that you and I are going to talk about over the next hour.

The Fed Chair, Jerome Powell says he is in no hurry to cut interest rates any further.

A volte face from the White House rescinding the freeze on federal aid.

And frequent fliers wonder if loyalty still pays off. The head of Virgin Atlantic Flying Club is on a mission to round up more.

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We are live from London. It is Wednesday. It is January the 29th. Where did January go? I am Richard Quest, and I mean business.

Good evening.

We begin tonight with the Federal Reserve Chair Jerome Powell, who says the bank is in no hurry to cut US interest rates. The Fed held its target range steady four-and-a-quarter to four-and-a-half percent, and the Chair says the economy is in a good place and so is Fed policy.

President Trump has been pushing for rates to go lower. Chairman Powell says he has had no contact with the president.

(BEGIN VIDEO CLIP)

JEROME POWELL, US FEDERAL RESERVE CHAIRMAN: I am not going to have any response or comment whatsoever on what the president said. It is not appropriate for me to do so.

The public should be confident that we will continue to do our work as we always have, focusing on using our tools to achieve our goals and really keeping our heads down and doing our work and that is how we best serve the public.

(END VIDEO CLIP)

QUEST: Matt Egan is at the Fed in Washington.

Matt, Chair Powell is far too experienced and wily to fall into that old trap, isn't he? But he did say on the question of tariffs, we are studying what the effect has been. We are reading up on it.

There are various ways this could -- how do you interpret what he said about tariffs and this wait and see attitude of the Fed.

MATT EGAN, CNN REPORTER: Well, Richard, you're right that again and again, Powell made clear he does not want to go anywhere near questions about President Trump, whether it is on the issues of Fed independence or deportations or deregulation. He didn't really want to get into the wisdom of tariffs.

But I do think that that he made some interesting points about the uncertainties that can be brought up by tariff policy.

He noted that during the last trade war, around 2018-2019, that there was an increase of uncertainty among business owners and that did impact business spending. He said we are not seeing that yet, but he made clear that that is something that they would be looking at.

On the president's comments about interest rates and wanting them to be lower, you know Powell just said they're going to put their heads down. They're going to do their jobs and that that's what really matters the most.

And I did get to ask Powell about one of the risks out there, which is financial markets and this concern that some people have that there could be an asset bubble brewing, given how high market valuations are.

Take a listen to his response.

(BEGIN VIDEO CLIP)

POWELL: So we look at it from a financial stability perspective at asset prices generally, along with things like leverage in the household sector, leverage in the banking system, funding risk for banks and things like that. But it is just one of the four things.

Powell: No Hurry To Lower Interest Rates; White House Rescinds Memo Freezing Federal Aid; Senators Grill HHS Nominee, RFK, Jr. Over Vaccine Views; Tech Results

Asset prices are and yes, I'd say they are elevated by many metrics right now.

A good part of that, of course, is this thing around tech and AI.

(END VIDEO CLIP)

EGAN: Now, Powell went on to say that you can't just look at the stock market. You also have to look at the fact that interest rates have come up higher in the bond market, and that has tightened financial conditions.

So he said overall, it is a mixed bag -- Richard.

QUEST: Matt Egan in Washington. Thank you, sir.

President Trump's agenda changes the Fed's equation. Cutting government jobs and spending could weaken demand and lower prices. It really is a case of one hand on the other hand because on the other hand, most economists think that the permanency of the income tax cuts and the raising tariffs will push prices higher.

Howard Lutnick is the Commerce Secretary nominee. He told lawmakers tariffs won't hurt consumers.

(BEGIN VIDEO CLIP)

HOWARD LUTNICK, US COMMERCE SECRETARY NOMINEE: The economy of the United States of America will be much, much better. A particular product's price may go up, but all of them, it is not inflationary.

The two top countries with tariffs, India and China do have the most tariffs and no inflation. It is just a nonsense that tariffs cause inflation. It is nonsense.

(END VIDEO CLIP)

QUEST: Alan Blinder, former vice chair of the Fed, now professor at Princeton, now of course, you can pass the exact language so that you can define the tariff so they're non-inflationary.

But as a general principle, we've always been taught tariffs are inflationary because eventually the tariff gets passed on to the consumer. Alan, is this still the case?

ALAN BLINDER, FORMER FEDERAL RESERVE VICE CHAIRMAN: Yes, you were you were taught correctly. Now I might add two things. First of all, they may not be passed a hundred percent on to the consumer. That depends on the product, the market structure and a whole lot of other things, so I wouldn't assume every single tariff is 100 percent passed on to the consumer.

The other thing that the Trump people like to ignore is the retaliation from other countries that yes, we raise tariffs and that's a bit inflationary. Other countries may raise their tariffs. And to the extent we keep importing from them, that's also inflationary.

QUEST: Trying to work out the totality effect or the total effect of the Trump policies is very, very difficult because you do have the permanency of the tax cuts, which arguably is inflationary because it is going to stimulate the economy, cut that with spending cuts on social programs, which slows the economy.

Net-net, would you say, from what you know, of the policies and his growth demand that we are looking at growth and higher inflation as a result?

BLINDER: I'd say it depends a lot on the time. Of course, it depends on the details that we don't know and that's the main cloud of uncertainty overhanging everything.

Powell: No Hurry To Lower Interest Rates; White House Rescinds Memo Freezing Federal Aid; Senators Grill HHS Nominee, RFK, Jr. Over Vaccine Views; Tech Results

My best guess at this point is that he may, and I want to underscore that may, because he keeps changing his mind, makes some very severe cuts in government spending early on, maybe. And that would be a disinflationary contractionary policy.

The tax cuts in question are not going to go into effect until 2026 and not fully in 2026, the first year in which they will be fully in effect is 2027. And as you say, Richard, they will stimulate the economy. Tax cuts always do.

QUEST: So we then have this interesting, brogues where he wants OPEC to lower oil prices, which he says will allow for the lowering of interest rates. Listen to what the president said about that in his press conference. Have a listen to what he said, sir.

(BEGIN VIDEO CLIP)

DONALD TRUMP (R), PRESIDENT OF THE UNITED STATES: With oil prices going down, I will demand that interest rates drop immediately. And likewise, they should be dropping all over the world. Interest rates should follow us.

(END VIDEO CLIP)

QUEST: So should they? Will they? Would they?

BLINDER: I think you are hard pressed to make a strong statistical case that interest rates follow oil prices. Now, it is true that when oil prices go down worldwide, that is disinflationary and that tends to pull interest rates down, not up. So that much is true.

But there is certainly no mechanical or anything close to a mechanical relationship there. And by the way, I might point out as President Trump ought to know that we are an oil exporter, the United States of America. We are still not used to that. Now, we are not a member of OPEC, but we are an oil exporter and we usually think that if the prices of things you export go down, that's not the best thing that can happen to your economy.

QUEST: Because of course, yes, not only will it reduce the income to the US on a price per barrel basis, it will also reduce the income to the Saudis.

BLINDER: Yes.

QUEST: And he wants the Saudis to put a trillion into the US economy.

Sir, of all the years that you've been looking at economies, do you think we are embarking on a grand new experiment here?

BLINDER: I wouldn't go there yet. It depends.

Look, I don't have to tell you, Richard and the listeners, who in the world knows what Trump is going to do, that certainly includes me.

But if you look at what has been announced or quasi announced so far in terms of tariffs, in terms of tax cuts, in terms of trimming this or that out of the government's budget, which, by the way, keeps changing by the hour, it doesn't look revolutionary to me.

[16:10:15]

QUEST: We will talk more, sir. I fear that you and I have much to talk about in the four years ahead and I am very grateful to you, as always, Professor. Thank you.

President Trump says he will order US officials to prepare a facility for migrants at Guantanamo Bay, one that could receive thousands of migrants.

Powell: No Hurry To Lower Interest Rates; White House Rescinds Memo Freezing Federal Aid; Senators Grill HHS Nominee, RFK, Jr. Over Vaccine Views; Tech Results

The US Naval Base in Cuba already houses a migrant facility. It is separate from the high security US prison that foreign terrorism suspects have been held in. It has been used on occasion for decades, including to house those migrants picked up at sea, but this is on a different league.

(BEGIN VIDEO CLIP)

TRUMP: Today, I am also signing an executive order to instruct the Departments of Defense and Homeland Security to begin preparing the 30,000- person migrant facility at Guantanamo Bay. Most people don't even know about it.

We have 30,000 beds in Guantanamo to detain the worst criminal illegal aliens threatening the American people. Some of them are so bad we don't even trust the countries to hold them because we don't want them coming back, so we are going to send them out to Guantanamo.

This will double our capacity immediately, right? And tough. That's tough place to get out of.

(END VIDEO CLIP)

QUEST: Jeff Zeleny, I am guessing your head is still spinning from that one. That came out of nowhere. We weren't really expecting that today. But just listening to the president that there is all, you know, there is the scintilla of suggestion that some migrants, because they are too dangerous to send back to their homes, might even be held there indefinitely. How do you read it?

JEFF ZELENY, CNN CHIEF NATIONAL AFFAIRS CORRESPONDENT: Richard, I think the biggest point there is if countries do not accept repatriation or sending back migrants, perhaps they would be sent to Guantanamo Bay. But the 30,000 figure is certainly a high one. And you're right, I mean, Guantanamo Bay has been used over the years, in the 80s and 90s for some Haitian migrants and things, of course, after the 9/11 terrorist attacks, it certainly was used.

And then for years, the US government has been trying to essentially clean it out and empty it. But the new suggestion here today is something that we've not heard from President Trump before.

For all of the litany of immigration promises and pledges on the campaign trail, really for the last decade or so, we have not heard that. At least I can't recall it. I heard it for the first time today.

So you also get the sense, perhaps trying to change the subject. The White House is on its heels on a different matter.

QUEST: Sure, absolutely.

ZELENY: So I have a sense they may be related, or perhaps he was just briefed on Guantanamo Bay, and there is some room around there. But this certainly would raise many, many questions about being sent there indefinitely. But it is something that clearly was on his mind.

But my bet is, trying to change the subject a bit with the other story that we will talk about.

QUEST: Right. Exactly. The old magician's diversion. I will give you this, and meanwhile, while I am doing that over, over there, don't look over there. You might not -- because they rode back on the freeze on grants and aid. A judge had already got rid of part of it. Now they are rowing back on it considerably more.

Either they got it wrong and they realize it. What's going on? It is embarrassing to do this.

ZELENY: Well, look, it is definitely the biggest reversal and walk back, so far, we are only nine days into the Trump administration. Clearly, they were trying to flex their executive authority, their presidential muscle, if you will, and impose the president's will across the federal budget on programs that have already been approved and passed by

Powell: No Hurry To Lower Interest Rates; White House Rescinds Memo Freezing Federal Aid; Senators Grill HHS Nominee, RFK, Jr. Over Vaccine Views; Tech Results

Congress, which, of course, created a wave of backlash from Democrats and Republicans alike on local programs like housing programs, food programs, substance abuse programs, you name it.

So this is something that after that judge last night issued a temporary pause on this, the White House got the sense that it was not going to spoil for this fight. So they rescinded that Monday night order that put this pause on in the first place.

Now, that doesn't mean that the president is not still intent on trying to, in his words, weed out the woke ideology and other programs and things, but he is not going to be able to do it with this budget, with this money right now.

So they certainly got their wings clipped a little bit by just the notion of a legal fight. So they walked it back trying to blame it on the media, blame it on others. But the reality here is the confusion that this sparked was coming from all sides of this government, Republicans as well.

So I think we will remember this day today. It is the first time that the president's executive authority is not unlimited, at least at this point in the new order of Washington.

[16:15:10]

QUEST: So, Jeff, grateful. Good to see you. Thank you, sir. I am grateful for you. Thank you.

Now, QUEST MEANS BUSINESS, you and I have much more to talk about tonight. Robert F. Kennedy, Jr. was grilled on Capitol Hill over his record on vaccines. We are going to talk to a leading doctor about the nominee and how he fared today.

(COMMERCIAL BREAK)

QUEST: Members of the US Senate grilled Robert Kennedy, Jr. over his views on vaccines and other health issues. Mr. Kennedy is President Trump's pick to run the Department of Health and Human Services. It is a sprawling agency including FDA, Food and Drug Administration; public health, CDC, onwards and upwards.

The Democrat Ron Wyden asked Kennedy about some of his more controversial opinions, linking them to a deadly measles outbreak in Samoa.

(BEGIN VIDEO CLIP)

SEN. RON WIDEN (D-OR): The nominee wrote a book saying that people had been misled into believing that measles is a deadly disease. He is trying now to play down his role in Samoa. That's not what the parents say. That's not what Governor Green says. It is time to make sure that we blow the whistle on actually what your views are, at least we are starting.

UNIDENTIFIED MALE: We need to move on.

ROBERT F. KENNEDY, JR. US HEALTH AND HUMAN SERVICES SECRETARY NOMINEE: Senator, I support the measles vaccine. I support the polio vaccine. I will do nothing. As HHS secretary, that makes it difficult or discourages people from taking those vaccines.

WYDEN: Anybody who believes that ought to look at the measles book you wrote saying parents have been misled into believing that measles is a deadly disease. That's not true.

(END VIDEO CLIP)

QUEST: Dr. Megan Ranney is joining me now. She is an emergency physician and dean of Yale's School of Public Health.

Doctor, good to see you.

Powell: No Hurry To Lower Interest Rates; White House Rescinds Memo Freezing Federal Aid; Senators Grill HHS Nominee, RFK, Jr. Over Vaccine Views; Tech Results

I suspect one needed an aspirin or two after that hearing. It was so contentious and maybe just a strong drink would have done.

Look, the reality is no new ground was found in that, and at the same time, Mr. Kennedy is still trying to say he is misunderstood and all he wants is fairness on vaccines and these other health issues.

DR. MEGAN RANNEY, YALE UNIVERSITY'S SCHOOL OF PUBLIC HEALTH DEAN: So I think you would be hard pressed to find an American who doesn't want America to be healthy. The debate here is about what it takes to make America healthy.

[16:20:10]

We have a long history in public health of putting interventions in place that have lengthened life expectancy and made Americans healthier, things like vaccines, about which the science is tremendously clear, they are safe and effective, and they work and they save lives and protect people from illness.

Things like food and water safety, pharmaceutical or drug safety, and things like child injury prevention, mental health support and so on.

The trouble here, of course, is that RFK, Jr. didn't clear up any of the controversies about some of his earlier statements compared to what he would do as HHS Secretary during this hearing. I don't think it left us with much more information than we knew earlier today.

QUEST: Right. But at one point, one of the senators said there -- I know on the Republican side, there are three doctors on this committee, and I am a chemical engineer, a chemical scientist, and I find your views based on science and based on science, they are refreshing.

Now, I am not -- I am qualified in many things, but I am not qualified to know what the right answer is here. When you've got senators saying, look, I am a doctor and chemical scientist and I think Mr. Kennedy, you're right, you're fair, you're honest, you're decent.

RANNEY: There are some things he is right about. We are seeing increasing rates of obesity and mental health problems, but he confuses correlation and causation.

Correlation is the idea that you look at two things that are happening at the same time, right, and know that they just are happening together. They don't cause each other. For example, we eat more ice cream in the summer and more people get sunburns or drown, unfortunately, in the summer. They happen together, it doesn't mean that ice cream causes sunburns or ice cream causes drownings. So good science is able to disentangle the two.

There are parts of what RFK, Jr. is saying that are absolutely true, that we have medical and public health problems that we need to confront. The trouble is, is that he sometimes assigns the wrong thing as the cause.

QUEST: Do you sometimes think, though, it is all a bit depressing, these hearings, because nothing is going to change? I mean, I particularly, you know, the two confirmations that one sees, the Hegseth and this one doesn't appear that anybody is going to budge from their preordained political positions, at least at the moment.

RANNEY: You know, I am not a politician and certainly can't weigh in on how people are going to vote. What I do know is that this agency touches the lives of every American. It is \$1.6 trillion of our US budget, and I hope that our senators are going to vote for someone who has both the policy expertise as well as the belief in science that is needed to run something that literally touches all of us.

QUEST: So if you pull it all together, how are you looking at the next four years? Because, I mean, I don't know whether he is going to be confirmed, but I am guessing if I was a betting man, I'd say he will be confirmed notwithstanding, by the way, his own cousin's description of him as a predator and a pervert but that's another matter for a discussion in another forum.

Powell: No Hurry To Lower Interest Rates; White House Rescinds Memo Freezing Federal Aid; Senators Grill HHS Nominee, RFK, Jr. Over Vaccine Views; Tech Results

But it does look like he is going to get it. Does that worry you?

RANNEY: I think, like with many things that are going on right now, it is really difficult. I am going to quote your prior guest, actually, who says it is impossible to predict what is going to happen later today, much less tomorrow.

I think there has been tremendous bipartisan support for NIH for a very long time. There is a deep understanding that we need to keep leaning in to help reduce obesity. I am worried about mis and disinformation, about vaccines and about infectious diseases, as we are facing a potential H5N1 bird flu pandemic in the United States, and we are facing growing rates of global spread of disease, and we've just pulled out of the World Health Organization.

I have a lot of worries about what is going to happen next, regardless of whether he gets confirmed.

QUEST: Do you prefer ibuprofen or aspirin for these moments like this?

RANNEY: Exactly. But hey, at least you know there's a difference, which is more than many people do. Don't give your kids aspirin, please.

QUEST: Thank you very much. Listen, I am of the firm view, if one is good, two must be better. So I am not wanting to take anything. Good to see you.

RANNEY: Talk to your doctor first.

QUEST: Good to see you, Doctor. Thank you very much, indeed.

RANNEY: Thank you, Richard.

QUEST: Thank you.

It is QUEST MEANS BUSINESS.

Meta, Microsoft and Tesla are releasing their quarterly earnings. Now, it would have been a very different story, but for DeepSeek, which has shaken the whole thing up.

QUEST MEANS BUSINESS.

(COMMERCIAL BREAK)

[16:28:12]

QUEST: Hello, I'm Richard Quest. There is a lot more QUEST MEANS BUSINESS.

Microsoft and Meta have reported earnings for the first time since DeepSeek shocked the tech world, DeepSeek. I will speak to the vice president of Virgin Atlantic's Flying Club, who is now going on a status match fishing expedition, particularly against British Airways, Gold and Silvers, reel them in.

Before that, this is CNN and here, the news always comes first.

US senators grilled Robert Kennedy, Jr. on his views on vaccines and health matters. He is President Trump's pick to run the DHHS, the Department of Health and Human Services, a sprawling agency overseeing food and drug safety, public health, and a great deal more. The confirmation hearing resumes on Thursday.

Just days after the Trump administration announced it was freezing potentially trillions of dollars in federal funding, the White House now seems to be backing off. Monday's memo, calling for pause has sparked chaos and confusion nationwide, and has been now partially reversed.

Powell: No Hurry To Lower Interest Rates; White House Rescinds Memo Freezing Federal Aid; Senators Grill HHS Nominee, RFK, Jr. Over Vaccine Views; Tech Results

Dozens of people have been killed in a crowd crush at the world's largest religious festival taking place in India. It happened on Wednesday morning when a barrier near the river broke while people were walking there. Millions of Hindus had traveled to the Uttar Pradesh Region to take a dip in the sacred waters as part of the ceremony.

Government forces are battling rebels in Goma, a key city in the Democratic Republic of Congo. There are reports of foreign peacekeepers being killed. Aid agency says hospitals are overwhelmed and there is concern about crimes against civilians. Washington has told all non-emergency staff to leave the country.

[16:30:11]

Meta, Microsoft and Tesla all hold earnings calls in the next hour. Their A.I. investments are under scrutiny after the Chinese startup claimed to have built a more efficient, less expensive chatbot. ASML, the company every chip maker relies on, reassured investors with the CEO saying low cost A.I. models will create more demand for chips, not less. The shares finished the day more than 4 percent up.

Clare Duffy is with me.

And this is a -- look, to a certain extent, the numbers that we're going to see. I mean, I can tell you, Tesla revenue down. Microsoft Azure issues. But by and large this is rearview mirror stuff. What everyone is concerned about is the DeepSeek and how they're going to respond to this allegation.

CLARE DUFFY, CNN BUSINESS WRITER: That's exactly right, Richard. As an analyst just told me in an e-mail after these Microsoft earnings dropped, it's not really about today's number. It's about the bigger battles ahead and those bigger battles are how these Silicon Valley companies decide to respond to DeepSeek, which has essentially proven that you can run a lower cost, lower power advanced A.I. model.

It really calls into question the billions of dollars that these companies have spent and are planning to spend to continue building out A.I. infrastructure. So that's really going to be the question that especially Microsoft and Meta face when we hear these earnings calls coming up here shortly.

I think that's, you know, perfectly reflected in the reaction that we're seeing to Microsoft stock following its earnings report. We're seeing shares falling just a little bit, despite the fact that the company beat on revenue and profits, as you said, sort of good results. The numbers here are looking OK. But the question really is, how is this company going to respond? Is it going to pull back on some of these massive investments it's made in data center spending?

QUEST: Right.

DUFFY: And actually, Chief Financial Officer Amy Hood, Microsoft's CFO, seemed to sort of like speak in code about this in the company's earnings release. She said, "We remain committed to balancing operational discipline with continued investments in our Cloud and A.I. infrastructure.

QUEST: OK. Let me jump in here because they can fudge it all they like. They can, you know, dress it up as best they can. But the reality is somebody has just built a better mousetrap and they have got to respond either by saying it's not as good or a me too, we'll do it as well, or this is apples and oranges? It's difficult to see. It's difficult to see that there's much else they can do.

DUFFY: Yes, I think that's exactly it. I think we're going to get a sense of whether these companies are thinking about this as, you know, a thing that's going to force them to pull back on their spending or if they're going to lean in the direction that we heard ASML sort of going this morning where they say, OK, we're not going to have to spend as much money on data centers to train these A.I. models, but because these are going to end up being lower cost models, more people will use them. And then we need these data centers because more people are going to use them.

I think that's the kind of nuance that, you know, us as reporters and certainly investors are going to be interested to hear from the executives during these calls.

Powell: No Hurry To Lower Interest Rates; White House Rescinds Memo Freezing Federal Aid; Senators Grill HHS Nominee, RFK, Jr. Over Vaccine Views; Tech Results

QUEST: Good to see you. Please come back when there's more to report. By the way, what do you think? Sorry, I've got 30 seconds. What do you -- forget all what you've read and what you're hearing. What do you think of DeepSeek? I know you've tried it and all that. What do you think of it?

DUFFY: Yes, I mean, it's interesting. I do think there is this big question about whether they're being totally truthful about just how low cost and just how cheap it is. I think that's one major question. Honestly, I don't think that this is going to end up being the model that stays on the top of the app store. There's this question about Chinese censorship, where it restricts answers about difficult questions about the Chinese government.

So I don't think this is going to end up being the new ChatGPT. But I do think the underlying technology questions that is going to force Silicon Valley to answer are really interesting. And maybe this ends up being good because a lower powered model is ultimately better for the environment.

QUEST: It is quite amusing, isn't it? You were getting so excited about TikTok and hoovering up information and yet, you know, just download this DeepSeek. Yes, don't worry about it. You just download it. You put a bit more Chinese software in there. Anyway, we'll talk more about that aspect.

Thank you, Claire. Good to see you.

Now President Trump has declared a national energy emergency to pave way for more spending on fossil fuel. In a moment, the founder of the Australian mining giant **Fortescue**. He says the U.S. must look beyond oil and gas to meet needs.

(COMMERCIAL BREAK)

[16:37:38]

(BEGIN VIDEO CLIP)

DONALD TRUMP, PRESIDENT OF THE UNITED STATES: The inflation crisis was caused by massive overspending and escalating energy prices. And that is why today I will also declare a national energy emergency. We will drill, baby, drill.

(END VIDEO CLIP)

QUEST: It's a great soundbite, drill, baby, drill, from the inauguration.

The founder of the mining giant **Fortescue** of Australia knows quite a lot about drilling. And he says the U.S. president should be more ambitious. Look beyond oil and gas.

Andrew Forrest joined me at Davos last week and he said renewables must be part of the mix.

(BEGIN VIDEOTAPE)

ANDREW FORREST, EXECUTIVE CHAIRMAN, **FORTESCUE**: I'm an economist, a businessman. What I prefer is we just get straight to the heart of the problem. It should be build, baby, build. I mean, we can waste all this time drilling if we want to, but let's just go build out the energy systems. We can do it right now. We can respond to this massively increasing energy demand right now. You can't do it with oil and gas. That's going to take you years or decades. We can do it with renewable energy.

QUEST: Can we get the necessary quantities of power from renewables?

FORREST: Absolutely, Richard. You completely and utterly.

QUEST: Which ones?

Powell: No Hurry To Lower Interest Rates; White House Rescinds Memo Freezing Federal Aid; Senators Grill HHS Nominee, RFK, Jr. Over Vaccine Views; Tech Results

FORREST: Well, solar, wind, batteries and a new form of hydrogen, which we're going to bring to the world as soon as we fully commercialize it.

QUEST: But we've heard all this before and yet we are seeing -- we are still seeing the demand for particularly LNG and the debate over LNG, which of course is whether it's good or bad.

FORREST: But that's geopolitical. I mean, if you have an administration who's pushing one form of energy, I'd just say, look, be careful with that because that form of energy you've heard all before for 200 years has delivered the most volatile, highest cost of energy we've ever had. Unpredictable standards of living, thanks being pegged to someone else's policies in fossil fuel energy.

If you produce all your own energy, say, in America, you're not going to be asking mums and dads who probably have a couple of hundred dollars only in their pocket to compete against these massive tech companies who have a couple of hundred billion in their pocket, Richard, to buy all the energy which is available and mums and dads are going to go without. And that's what you're going to do if you have this massively increasing energy demand, yet you're fixing your supply to fossil fuel.

[16:40:02]

QUEST: But your company, primarily extraction, and so --

FORREST: That's -- don't confuse that with oil and gas, Richard.

QUEST: No, but I --

FORREST: This is called green energy extraction. It's the future of the world.

QUEST: I know. But I do confuse it. I do, because oil and gas comes out of the ground and you take --

FORREST: I take metal out of the ground.

QUEST: Metal out of the ground.

FORREST: And I put the topsoil back and all the grass grows.

QUEST: Yes, it just sort of seems like a sort of a -- you're picking and choosing what you take out of the ground.

FORREST: Not at all, Richard. That's so unfair. One takes no carbon out of the ground and doesn't destroy the atmosphere. The other takes carbon out of the ground and puts it in the atmosphere. I have no carbon in iron. Now we're going to make iron steel with hydrogen. That's coming as quick as we possibly can.

QUEST: Where does this messianic -- that's my word. Where does this messianic real net zero come from in your life?

FORREST: OK, so, I've just watched the inability of the world, not just me, the inability of the world to finance anything with the word net in it. What is net? Is net carbon sequestration in the ground? That fails. That's a fraud. Is it carbon offsets? Is it carbon credits? They don't deliver anything like what they promised. You could be sued against that. You can't finance against net but you can finance against stop burning fossil fuel, Richard. And that means you've got a bankable proposition. You can finance that straight away.

QUEST: I think the level of skepticism that's out there that, yes, we all want to get to real zero, but we believe it's not possible in a real frame time without doing economic damage. In other words, making people have sacrifices.

FORREST: OK, Richard, I am the highest performing company for shareholder returns on the entire Australian stock exchange in history. That is **Fortescue**. We are the lowest cost, most efficient bulk miner on earth. Do you

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think we're going to lose that mantle? We're not going to lose that mantle. We've fought for 20 years to earn that. We've kept it now for years by stopping, burning \$1 billion a year into the atmosphere.

Carbon dioxide taking that billion dollars and building out our own energy company. We're now energy producers, Richard. And that's an asset. It's not smoke in the air poisoning people. It's an asset of our shareholders. Real zero.

QUEST: So how does the industry, the world, the consumers, whatever, how does it negotiate this with a U.S., a new U.S. president that seems to be hell bent on fossil fuels and that will set the agenda in many people's minds?

FORREST: Look, I listen to all this and I hear drain the swamp all the time. And that really means get all the big money out of Washington, D.C. and bring in great policy. All I can say is what we're listening to is a really big money of oil and gas, which is going to lead to a higher cost of living for anyone who only has that as an alternative.

If I was this administration, I'd say bring in every possible energy source you possibly can. I would not choose one horse which has failed and failed and failed.

QUEST: Choose your color.

FORREST: Green.

QUEST: All right.

FORREST: No. In fact, I'll have blue just because.

QUEST: Why not?

FORREST: OK.

QUEST: The next four years, I want you anywhere you like. As large as you like.

FORREST: OK, I'll go the economy, stupid. That's me. I'm an economic pragmatist. I'm going green.

(END VIDEOTAPE)

QUEST: The European Commission released what it's calling the competitive compass on Tuesday. The commission's president, Ursula von der Leyen, called it a roadmap for achieving the points outlined in the Draghi Report. Remember, the global leaders haven't stopped or European leaders haven't stopped talking about the report since it was released in September. And it's our new drinking game. Every time you say, you have to have one.

My time in Davos last week with the Draghi Report, no exception.

(BEGIN VIDEO CLIP)

QUEST: Guess what I'm going to say. The Draghi Report. The Draghi Report. The Draghi Report. The Draghi Report. The Draghi Report. This is the Draghi Report. This is the Draghi Report. I have been banging on about the Draghi Report. The Draghi Report. The reality is everybody is talking about the Draghi Report. Everybody is quoting it. Everybody says, oh, the Draghi Report. Oh, Draghi Report.

We are thinking of starting a new game, which is called the Draghi Report drinking game. Every time a European politician mentions the Draghi Report somebody has to take a drink. The Draghi Report, take a drink. The Draghi Report. Take a drink, Clint.

UNIDENTIFIED FEMALE: Careful now. By tonight you're going to be very tipsy.

(END VIDEO CLIP)

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QUEST: It's a serious report. And I guess my comments on that just really because of the significance of the Draghi Report.

Some major airlines have made sweeping changes to their loyalty programs over the last year or two. And many frequent fliers are not happy about it.

[16:45:01]

In a moment, Virgin Atlantic, which is trying to capitalize on the controversy, and this man is going to reel in these VA's frequent fliers.

(COMMERCIAL BREAK)

QUEST: All right. Time for tonight's therapy session. For frequent fliers such as myself, well, status is just about everything. And British Airways has caused a real furor with controversial changes to its loyalty program that puts its top status seemingly out of the reach of many of its top fliers.

Passengers expressed absolute rage on social media if you look. Cannot believe BA, what have you done? This ridiculous move to revenue based loyalty will destroy executive. I'm a first class GGL after 15 years. What an absolute mess. There's tons and tons and tons of this sort of thing. Because starting in April, BA will give customers one tier point every pound spent on flights. To reach coveted gold, you'll need to spend more than 20,000 pounds, it's around \$25,000 every year.

Now that is a massive change. In fact, the discrepancy between silver and gold is what's got people up in arms because that's merely a -- that's a doubling, that's way beyond it. It's the old system, remember, earned on flight distance and fares. So allowing savvy travelers to go gold for a fraction of the price.

It's the latest in a string of announcements from airlines retooling their loyalty programs. Everybody has done it. United did it with MileagePlus. Delta did it, and now BA as well. They've all done it. But Virgin Atlantic is hoping to capitalize on the controversy, trying to woo disaffected fliers. They will match the status on BA.

Now Anthony Woodman is the vice president of Virgin Atlantic's Flying Club, and he is with me now.

Sir, thank you for coming in. Status matches are nothing new, but you have spotted that this disaffection with the BA system and they're really going for it. What's been the reaction?

ANTHONY WOODMAN, FLYING CLUB AND CUSTOMER RELATIONSHIP MANAGEMENT VP, VIRGIN ATLANTIC: So we have a status match. It's always on. It's open to 11 other airlines. It's not just for British Airways. The reason we have our status match is we want everyone to be able to join Virgin Atlantic and experience the benefits. But I have to say we've seen an amazing uptick. We've seen about triple our normal kind of volumes.

[16:50:02]

And of course, at the moment, if you're based in the U.K., one of five status matches will become a points millionaire by Valentine's Day.

QUEST: But there is a reason why all the other airlines went to a revenue based model. It was --either there were too many of the goals, they wanted to cut back, they wanted to make it more exclusive. How are you going to handle that?

WOODMAN: So there are two different things here. There's the mechanic by which you earn your tier status and we have a different model. We try and make it really simple. It's based on the number of flights where long haul only so we can be really simple for our customers. But then it's also about actually how accessible are your tiers and how accessible is your program.

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QUEST: Because that's the key to it in this one, what seems to have got people up in arms is not that they've gone to a revenue model, but that it's become so difficult. And look, you know, I mean, I declare my own conflict of interest here. It's going to be just about impossible for me to get there next year unless I do a lot of finagling around.

WOODMAN: So there's something really interesting in this dynamic. And I've seen it in the press, I've seen it in the blogs, where somehow the desire of customers to have a really amazing premium experience is it's almost like a problem. And actually the demand for premium experiences, premium cabins, premium services, premium tiers is a fantastic thing for the airline industry.

We exist to give customers amazing experiences, and so when you have customers that want that and you have an amazing demand for it, it's up to us as an airline to figure out how do we fulfill it.

QUEST: Right. But what we're seeing across, for example, Lufthansa and in the U.S., a lot of big frequent fliers are saying, listen, I'm no longer playing the elite game. You know, forget a bag of peanuts and a bit of extra this, that or the other or whatever. Upgrades are much harder to get because the planes are full, capacity is strong, and a lot of frequent fliers are saying I will choose on the basis of price. And once I'm in premium cabin, I'm in premium cabin anyway, so it's just ego and status.

WOODMAN: But this is the thing. It's got to be worth it. It's got to be worth it for a customer. And that's the job of a loyalty program. It's serving your customers. That's what we're -- that's what we're here to do. And if customers don't think it's worthwhile, you're absolutely right. They'll stop engaging. And as someone that runs an amazing loyalty program, I know that the most important thing, the reason that I exist, the reason that we exist, is to serve our customers.

So if customers don't like it, they will tell us. They will vote with their wallets. They will vote with their feet.

QUEST: We saw that with your partner, of course, and part owner Delta, when they made some fairly dramatic changes very quickly they heard about it and they reversed many of those changes.

WOODMAN: And it's to their credit that any program will listen to their customers, make the changes they need to make, because at the end of the day, they're powered by their members. Delta, of course, are very different to us in their network and what they're trying to achieve. We get to look very different because with Virgin Atlantic.

QUEST: By the way, congratulations. It looks like you might actually get Heathrow Airport's third runway maybe in our lifetime, I don't know, but the British government said it. I was working out. Do you know -- do you know the first Heathrow runway for the first time, a third runway was mentioned was before Virgin was even Virgin Atlantic started flying back in the 1950s?

WOODMAN: Exactly. It's been a very long running conversation. Clearly we've all seen the news today and clearly a thriving Heathrow, a thriving aviation sector is great for especially the U.K. passengers.

QUEST: Come back and tell us how this is all going.

WOODMAN: Absolutely.

QUEST: Good to see you, sir. Thank you very much.

Now the new aircraft broke the speed of sound over the Mojave Desert in California. It was extraordinary.

(BEGIN VIDEO CLIP)

MIKE BANNISTER, FORMER CHIEF CONCORDE PILOT, BRITISH AIRWAYS: There we are. XB1 is supersonic faster than the speed of sound. We've got confirmation from the control room that she is supersonic. What a wonderful achievement.

(END VIDEO CLIP)

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QUEST: Now that's the voice of a former chief Concorde pilot, Mike Bannister, who's been on this program before. He's watching the flight test of Boom's XB1 prototype, the first time any civil aircraft has gone supersonic over the continental U.S., certainly since Concorde. And that didn't go over the U.S. either.

I spoke to the chief executive about this milestone.

(BEGIN VIDEOTAPE)

BLAKE SCHOLL, FOUNDER AND CEO, BOOM SUPERSONIC: It's a heck of a moment. It's been 22 years since we've had a civil supersonic flight, and up to today it's been from the U.K., France, the Soviet Union, and this is the first time it's been done by a private company.

QUEST: From your point of view, what now is the biggest hurdle that you have to -- is it the development of the engine so that it can carry the weight and the fuel efficiency?

SCHOLL: It's just working out all the engineering. You know, I'll tell you what's not the problem. It's not the passengers want it. It's not the airlines want it. It's not as the technology there. It's not as the supply chain there. It's not the regulations there.

[16:55:02]

You know, we -- today we've demonstrated. We know how to do it. We have to scale up the design, do the detailed engineering, do an extraordinary amount of testing so that we're sure that it's safe and ready for passengers. That's it.

QUEST: And money is always a key problem. Are you funded for the rest of the program, or are you likely to have to go and seek more funding?

SCHOLL: We're well-funded for now, but there will be additional tranches of capital. You know, we did recently a round of financing that funds us all the way through, having the first engine up and running. With those milestones we'll raise more capital. That's how we've gotten to this point and how we'll get finished.

QUEST: And is the interest there from investors?

SCHOLL: Absolutely. I mean, the size of the prize is very large. And I think we are -- we're sort of watching in slow motion as Airbus has not launched a new airplane program in 20 years. Boeing is all but self- destructed. Airlines are hungry for an alternative, something better, something faster. And in success, Boom can be one of the largest companies in the world. And, you know, developing airplanes is not for the faint of heart. It is capital intensive. It's challenging. Success is not guaranteed. But in success the size of the prize is very large, and that's why we've been able to attract this absolutely world class investors.

(END VIDEOTAPE)

QUEST: I just love this story. I cannot wait for Boom to actually get the big plane and fly it, and we will take a "Profitable Moment" after the break.

QUEST MEANS BUSINESS.

(COMMERCIAL BREAK)

QUEST: Tonight's "Profitable Moment," I'm not proud of it, but I am a mileage geek. And I've done mileage runs, and I've done all sorts of things to make sure that I keep my gold status on whichever airline is de jure. And yes, I've also done status matches as well. So I'm well and truly part of the game that chases after that elite status, and it annoys the hell out of me because the goalposts keep changing, and I keep chasing further and further.

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And I wish I could just simply say I don't care about it. But look, those - - look, there'll be lots of you thinking that we're mad and there'll be many of you saying, I know exactly what you're talking about, Quest. I wish I could just get to the point where I say, it doesn't matter. Doesn't matter. But I just can't get there yet. So carry on the hamster wheel.

That's QUEST MEANS BUSINESS. Hey, at least I'm honest. That's QUEST MEANS BUSINESS for tonight. I'm Richard Quest in London. Whatever you're up to in the hours ahead, I hope it is profitable. And I hope your travels are safe and enjoyable.

JAKE TAPPER, CNN ANCHOR: Welcome to THE LEAD. I'm Jake Tapper.

This hour, the nation's report card is in and it's not one to brag about. The assessment finding American students losing ground in reading, making little improvement in math. Why? And are there any silver linings in the results at all?

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