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STATEMENT BY MR HUGH ROSSI, MP, MINISTER OF STATE WITH RESPONSIBILITY FOR THE DEPARTMENT OF FINANCE, AT PRESS CONFERENCE TODAY ON WHITE PAPER ON THE GOVERNMENT'S EXPENDITURE PLANS 1980-81 TO 1983-84

I would like to underline some of the Chancellor's measures of especial value to Northern Ireland. Here our greatest need is to create the climate for a new vital industrial and commercial base and the maintenance and improvement of the old. Therefore I welcome the novel and exciting concept of Enterprise Zones, one of which as the Secretary of State has announced, will be located in inner Belfast. Here major tax incentives will be available, ie 100% capital allowances; freedom from rates; minimum planning and government red tape will apply to industry and commerce to give a stimulus to business endeavour and the creation of new jobs in the zone. The proposals will present everyone with the opportunity to revitalise one of the decayed parts of this city.

No less important are the Chancellor's proposals to help the small businessman. His concessions will be of particular benefit to Northern Ireland encouraging the investment of risk capital in many and diverse enterprises, offering opportunity to individuals to set up new businesses, expand those which exist and create new jobs throughout the Province.

Other areas where his proposals will be of benefit to Northern Ireland will be both in the more obvious increases in tax allowances and upratings of benefits but also in such matters as the increase in the level at which stamp duty becomes payable, and in his proposals for profit sharing.

I should now like to turn to Public Expenditure.

In November the Government published a White Paper dealing with our spending plans for 1980-81. The latest White Paper revises these plans slightly in the light of a more up to date assessment of the national economic situation and also outlines our plans for the three following years, up to 1983-84.

The Government's overall economic strategy for the United Kingdom is well known. To reduce the rate of inflation is the first priority, and this means restraining the growth in the money supply and hence the level of public borrowing. At the same time we want to stimulate growth in the economy by restoring incentives. Too often in the past public spending funded by high taxation and high Government borrowing has accelerated regardless of any growth in the economy. Our aim is to end this pattern. The economy does not at present permit an increasing real level of public spending. Our task is to reverse, over the next four years, the mushrooming growth in public expenditure which took place in 1978 and 1979 and return to the volume levels which applied before then.

It is only right that Northern Ireland should play its part in this strategy, since it stands to gain when the present recession is replaced by the more buoyant economy which our policies are designed to encourage. The combination of stagnation and inflation which has persisted for some years now in the UK economy as a whole is highly detrimental to the economic fortunes of a region like Northern Ireland. Investment is sharply curtailed and enterprise withers. Boosting public expenditure in these circumstances leaves the basic difficulties untouched.

When I commented on the planned level of spending for 1980-81 which was announced in the November 1979 White Paper, I explained that, at £2150m, it represented a drop of £65m on what the previous administration thought they could spend.

The Chancellor has called for further savings in public spending throughout the United Kingdom in the light of the national economic situation. Northern Ireland's share of these further savings is £14m - a little under 1% of the money under the control of the Secretary of State. Since we have been able to underspend partly because of the changes in value of the green pound this year the reduction next year will still be almost exactly as I indicated in November - in fact £64m : £2136m in 1980-81 compared with £2200m in 1979-80.

The extra £14m drop in previously projected spending is in services which operate on the same basis throughout the United Kingdom. Decisions on the timing and indexation of certain Social Security Benefits will make a contribution. Certain Health Service charges are being increased - this reduces net public expenditure, not by providing a reduced service, but by recouping more of the cost from the recipients. The other main area is capital expenditure, where some road, housing and water schemes have been delayed. It would, however, be wrong to exaggerate the scale of these reductions : as I have said, they amount to much less than 1p in every pound of public expenditure in Northern Ireland.

The figures for the later years 1981-83 to 1983-84 are, of course, provisional, as the White Paper itself makes clear. They represent the Government's broad view of the volume of resources which will be available for the various services, and the precise distribution between services will be reviewed in the light of circumstances as we move closer to these years.

Because of this, some of the smaller blocks of expenditure have been combined and all figures have been rounded to the nearest £10 million. However, provisional though the figures may be, they provide a framework within which planning of services can be undertaken.

Each of us will have his own view of whether the existing pattern of expenditure is right and whether the new pattern which results from the spread of the reductions is right. This takes us straight into the area of priorities and the identification of the order of priorities which produces optimum results in terms of local needs and of value for money spent. There is plenty of room for lively debate on this issue. I would, however, underline that it is a matter of priorities. More for Housing, for example, means less for one of the other services like Health or Education or Industrial Development. The same goes for Education etc. Government is looking closely at the pattern of spending to see if we are in fact making the best use of available resources.

Over the four years it is planned to ease back the real level of public spending to the level which obtained between 1975-76 and 1977-78. I say the real level: obviously the cash levels will be very much higher because of inflation. Over the period from 1980-81 to 1983-84 the reductions amount on average in Northern Ireland to slightly over 1% a year in volume terms. In other words, we are, overall, making necessary adjustments at the margins, rather than attacking the core of public sector activity - pruning rather than felling or lopping.

Those who regard every pound spent as equally well spent and essential to the public weal will obviously take a different view. But most of us know that the present public sector budget has grown bit by bit over the years and that, once items are included, they tend to remain. It should be perfectly possible, by concentrating on essentials and exercising strict economy, to make a significant impact on Northern Ireland's very real economic, environmental and social problems.

In reviewing our spending plans we have taken special account of the exceptionally high level of unemployment in Northern Ireland. Industrial Development remains a very high priority, and this is reflected in the provision for the trade, industry and employment programme. The reduction of £6m between 1979-80 and 1980-81 reflects the full year effect of ending the Selective Employment Payments Scheme. The drop of £20m in 1982-83 reflects the end of the existing statutory scheme of support for the Northern Ireland Electricity Service which helps to keep tariffs to industrial users at levels broadly comparable to those in Great Britain. Future energy strategy for Northern Ireland is at present the subject of a special review, and the ending of this particular scheme does not indicate any lack of commitment on the part of Government to dealing with the problem of high energy costs in Northern Ireland.

The agricultural industry is particularly important to Northern Ireland, and I should like to say a few words about future expenditure on that programme. There is an apparent sharp decline from the high levels of expenditure between 1977 and 1979 to those proposed for future years. This is because it is very difficult to budget in advance for special support schemes devised to meet unpredictable economic circumstances. The Meat Industry Employment Scheme and those for aid to milk producers and Feed Price Allowances are of this type, and up to now we have funded them on a year-to-year basis because of the sheer unpredictability of the factors which have made them necessary. They are therefore excluded from the projected figures.

Law and order and the defeat of terrorism remain the Government's top priority, and planned expenditure includes provision for the recently announced decision to increase the strength of the RUC by 1000. Most of the current prison building programme will be completed during the four year period, and this decreasing expenditure balances increasing spending on the police, leaving a relatively constant pattern. We will continue to make available all the resources that are needed to combat terrorism.

Housing is being given high priority, and spending will remain considerably above the per capita levels prevailing in Great Britain. However, a programme as expensive as housing cannot be completely insulated from the need to reduce public expenditure. The resources available for Housing Executive building and improvements are to be reduced after 1980-81, but we will continue to give the highest priority to areas of the most acute housing needs, such as exist in Belfast. Owner-occupation is being stimulated by various measures, including the offering for sale of 160,000 Housing Executive houses and the

encouragement of private sector housebuilding especially at the less expensive end of the market.

Continuing high levels of spending on the environment, education, health and social security reflect the particular circumstances of Northern Ireland. The figures for education reflect the fact that we expect to have 25,000 to 30,000 fewer children in our schools at the end of the survey period compared with September last year. The provision for Health and Social Services will let us improve some top-priority services, including those for the mentally handicapped and for children and young people at risk.

As the Secretary of State has indicated in his statement public spending per capita in Northern Ireland will remain far ahead of the rest of the United Kingdom. That is as it should be, since need in Northern Ireland, measured by all the main indicators, is relatively much greater. Government acknowledges that NI has special problems and is committed to doing whatever it can to assist with the resolution. I am quite sure that, more important than the precise quantity of resources available - and certainly much more important than the changes of 1% a year involved here - is the efficiency and effectiveness with which the resources are applied. If we can eliminate waste and inefficiency and get more output at less cost, then a high quality of service can be provided without the price being more than the country can afford. The Province will also be contributing to the revival of the economy of the whole United Kingdom, from which Northern Ireland can gain the prosperity which must be the foundation for progress in every field.