Financial Statement

of the

Minister for Finance

Mr Brian Cowen, T.D.

1 December 2004

Contents

Page

STATEMENT OF THE MINISTER FOR FINANCE

MR BRIAN COWEN, T.D.

1 DECEMBER 2004

Opening Remarks

I am very honoured to introduce this my first Budget to the House. In doing so I pay tribute to my predecessor who made a major contribution to this country's sound budgetary position and who has left us a lasting legacy in this regard.

While this is my first Budget as Minister for Finance, it is not the first time I have been involved in the budgetary process. Any Budget should reflect Government policy and the economic realities of the time, as well as the economic and social demands of the future. The Budget is an initiative of Government as a whole and not simply the work of the Minister for Finance.

By another measure, this is my 21st Budget. I was first elected to this House in 1984 and I have observed the Budget from the backbenches, from the opposition benches and from my position in different Government Departments. In framing this Government's Budget, I have been influenced by what I have observed over that period.

I will spare this House any history lesson on the events since my first Budget experience sitting on the benches opposite me. Six Governments and six Ministers for Finance later, our economy has been completely transformed. With that transformation has come some dramatic improvements in society. We have made great strides towards becoming a vibrant, pluralist and modern European country. That has not all been achieved by our economic growth, but it is this economic progress that underpins much of what we now enjoy.

All of this progress is not without challenge. Government has a responsibility to ensure that the benefits of our economic performance permeate society as a whole. Proper budgetary policy involves careful evaluation and our task is to put together an economic model that builds a society of which we can all be proud.

This is the context in which the Budget is framed. Our economic strength must be protected as it gives us the leverage to create wider social reform. I will build on the progress we have already made in this and my next two Budgets in an effort to meet the needs of the people and to deliver on this Government's programme.

These changed times bring fresh challenges. Recent successes give us more opportunities and widen the scope for new policy approaches.

This, therefore, is a Budget for the Irish people as a whole. A Budget that will:

- protect and increase jobs in a more competitive business environment
- build up and modernise our economy through major capital programmes
- distribute the fruits of growth to all our people through better services and a fairer sharing of resources, and
- redouble our efforts to help those most in need, particularly those with disabilities.

Good Government and sound policies created these opportunities and good Government will ensure that we succeed in addressing the needs of all our people going forward.

Good Government does not mean responding blindly to headlines or being pressured into half-responses. It means sensible policies, soundly-based, with realistic, achievable and prioritised targets.

A single Budget cannot achieve all that we desire nor should it try to do so. There are always risks to the economic outlook, especially in a small and open economy such as ours. Therefore it is important to take into account the unpredictable nature of our economic environment. The ordinary taxpayer knows that this makes sense. I hope that they will recognise the firm resolve of this Government to secure their welfare now and for the future.

Budgetary targets

We are determined as a Government to meet the priorities we have set ourselves. To make progress in doing so we are setting the following budgetary targets for 2005:

- an allocation of almost €45 billion for gross spending on public services, or 9.1 per cent more than in 2004
- an Exchequer Borrowing Requirement of just under €3 billion or 2.3 per cent of GNP
- a General Government Deficit of 0.8 per cent of GDP, and
- a debt ratio of 30 per cent of GDP.

These targets seek to ensure that public spending growth is correlated with the growth in revenues, while keeping borrowing to a prudent level to fund priority investment needs. This approach will help contain inflationary pressures.

Economic Outlook

We are part of a single currency area where our partners will continue to keep inflation close to 2 per cent. We cannot determine the prices we can charge for our exports. International markets do that.

We must continue to compete, not just to sell our goods and services, but also to continue attracting foreign direct investment and creating high quality jobs. Economic competitiveness, therefore, remains critical to our future well-being.

The prospects for this economy are fairly positive for the next few years. If international growth holds up and if we do the right things, we have the potential to grow at around 5 per cent per year in real terms and to keep inflation in the 2 to 3 per cent range.

Of course, our economic situation also contains risks. The main question mark arises from the international economic situation, where answers to some questions are not so easy:

- how will oil prices fare? Last December few would have predicted that oil prices would reach $50 per barrel
- how will international exchange rates evolve?
- what will be the international policy response in terms of interest rates?

The answers to these questions and the response of the world economy will have a significant influence on our prospects going forward.

Assuming no major shocks arising from the risk factors to which I have just referred, we are forecasting for 2005 that:

- the Irish Economy will grow by 4.7 per cent in GNP terms and 5.1 per cent in GDP terms
- employment will grow by around 35,000
- unemployment will remain low at 4.4 per cent, and
- price inflation will come in at 2.5 per cent, close to the EU average.

Making factual comparisons with our EU counterparts, I think it is important to point out that:

- our rate of economic growth is more than twice the average in the Euro area
- our rate of spending increase in 2005 is three times the EU average
- our rate of public investment, at nearly 5 per cent of GNP, is almost twice the EU average
- our unemployment rate is half the EU average, and
- our debt burden is among the lowest in the EU.

Naturally, there are areas where we can do better and we will do so. But we should not be shy about our achievements either. I know from my time as Minister for Foreign Affairs that many of our colleagues in the EU would love to have our record. Many have beaten a path to our door to enquire how we did it. We did not achieve all this merely by chance. The actions of Government, in setting a sound economic and fiscal policy played a key role in achieving our current success.

In my view an Irish model for continuing growth should include the following elements:

- a coherent and equitable approach to public services and the economy, through social partnership

- better skills, training and education for those in a flexible labour force
- a low tax burden on activities that create and promote employment and on labour itself
- building competitiveness in all areas of the market, and
- an appropriate business environment that creates prosperity with the support of Government.

The reduction in the tax burden for all has formed part of this policy. But this did not mean a lessening of our commitment to spending on public services. Between 1997 and 2004, economic growth generated an extra €30 billion in annual resources for the State. Two thirds of this went to fund additional day-to-day spending. Some €4 billion has gone on additional public investment, and approximately €6 billion went towards tax reductions.

These are the facts. Lower tax rates and, in particular, the 12½ per cent corporation tax rate to which this Government is committed, have meant more revenue and economic growth. It is the revenues generated by economic activity which keep public services going, and not higher tax rates as some would have us believe.

Public spending

To demonstrate that point and to provide more public services and better infrastructure, this Budget means gross voted spending of almost €45 billion in 2005. This is over €3.7 billion more than in 2004. This increase reflects the sustainable growth in resources.

However, I wish to make it clear that we must maintain economic growth if we are to support our ambitions to make better provision for those in need in our society. Investing in a major capital programme increases our capacity to grow and is hugely important if we are to continue on this path.

Infrastructural investment/Capital envelopes

Last year we moved to a multi-annual programme for capital spending so as to plan more effectively for such large-scale spending. 2004 was its first year of operation. The multi-annual basis allows Departments to carry-over to the next year up to 10 per cent of the voted annual allocation to assist programme planning and delivery. The carryover from 2004 to 2005 is €237 million or 4 per cent of the 2004 voted capital allocation. I am providing €334 million in additional Exchequer capital for 2005. This will bring the total Exchequer cash available for capital spending next year to almost €6,300 million, or 20 per cent ahead of the 2004 cash outturn.

This means that for 2005-2009 we will maintain our high level of investment in infrastructure at nearly twice the European average. Total investment within the envelope over the next five years will be €36.3 billion, which is €2.7 billion more than last year's capital envelope. Further details are set out in the Budget Summary. I am making provision in these totals for the Government's decentralisation programme. This programme is moving forward. Considerable progress has been made and its implementation is well on track.

Developing capital envelopes further - Transport

The 2005-2009 capital envelope, as it is called, represents the total planned spend by all Departments. This includes almost €10.2 billion in respect of investment in transport infrastructure. The Government regards transport investment as particularly important for the promotion of competitiveness, sustainable economic growth and balanced regional development. We have seen many important projects coming on stream and starting to make a real difference. We know that more remains to be done.

Major capital projects in the transport sphere are multi-annual in nature involving long planning lead-times and substantial construction phases. Given this time consideration, and the scale of the projects and the investment involved, I have now agreed in principle with the Minister for Transport that an extended capital envelope of 10 years is more appropriate in the case of investment in transport. Proposals for such a 10 year investment will be submitted shortly for consideration by Government. I believe that this is a necessary development in forward-budgeting. It will afford the Government greater flexibility and clarity in planning and, most importantly, in delivering a 21st Century transport infrastructure for a 21st Century economy. It is my strong view that this is a new initiative which we must put in place if we are to position the economy to continue to grow and compete over the medium term.

Value for money for Capital Expenditure

I am extremely conscious of the need to optimise the value for money from the very significant levels of capital funding now in place and I am determined to take whatever action is required to bring this about. The multi-annual envelope system is designed to facilitate the objective of securing value for money through careful planning and implementation. My Department will also shortly be issuing to Departments revised guidelines on the appraisal and management of capital projects. Work is also continuing on changes in public sector capital project contracts to ensure that risk is transferred to those best able to manage and control it. These are practical and important steps in ensuring that the taxpayer gets better value for money in this area.

Public Private Partnerships

The Government is committed to developing the PPP process as a viable procurement option for appropriate projects. Progress has, however, been slow in some areas. The targets set last year for PPP projects funded by unitary payments from the Exchequer have been adjusted accordingly to reflect information currently available on the lead-in time required to bring projects to construction stage. This reflects the fact that, for various reasons, PPPs have been slower to get off the ground in some areas than was envisaged. We are actively examining how to resolve that issue going forward.

Taxation Policy

Ensuring a fair and balanced tax system is a priority for this Government. Our record testifies to the many key measures we have taken. These actions have:

- greatly reduced tax on the lower paid who now pay less than 6 per cent of the total income tax bill compared to 14 per cent in 1997

- eliminated unfair tax structures through the introduction of tax credits
- closed down abusive tax loopholes, and
- made sure individual reliefs focussed more on their essential purpose – encouraging jobs and investment.

The primary aim of our tax policy has been the use of the tax system to expand our economy, reward work and alleviate the burden on taxpayers especially for those on lower pay.

To continue to reduce the tax burden for those on lower pay I am making the following changes.

I am increasing the Employee Tax Credit by €230 to bring it to €1,270 per year. I am also increasing the personal tax credits by €60 single and €120 married to bring those to €1,580 and €3,160 per year respectively. This will benefit all workers and will ensure that all those on the minimum wage are fully outside the tax net.

As a result of these increases, over 650,000 of the 1.9 million income-earners will be exempt from paying tax on their earnings. It also means that for standard rate tax-payers an additional €1,450 per year, or almost €28 per week, is exempt from tax in the case of a single person, and €1,750 or almost €34 per week for married one-earners.

Given that it was not possible to widen the standard rate band over the past two years, I am now increasing it by €1,400 per year for all earners. A single person on the average industrial wage next year will pay 14 per cent or €11.50 per week less tax as a result of the changes in this Budget. There are also increases in the band for single and widowed parents. Altogether, 52,100 taxpayers will be taken off the higher rate of tax.

There are a number of specific tax reliefs in the tax system for the aged, the disabled and for widows. The income tax exemption limits for those aged 65 or over are being raised by €1,000 single and €2,000 married to bring them to €16,500 and €33,000 per year respectively. The other income tax changes I am announcing today, combined with this, will remove over 66,000 income-earners from the tax net. This includes 4,700 elderly who will be removed from the tax net.

The tax credit for an incapacitated child is being doubled to €1,000 per year. The blind person's tax credit is being increased to €1,000 single per year. The tax credit for a widowed parent in the first five years after bereavement is being increased by €200 in each year and the widowed person's credit is being increased to €400 per year.

Health Levy Threshold

The 2 per cent health levy currently applies to those earning over €356 per week. I am providing for a substantial increase in this threshold to €400 per week, an increase of almost 12½ per cent. This will be of particular benefit to the 95,200 persons concerned.

The total cost of these income tax and levy changes in a full year is €682 million, more than double last year's total.

Tax Reliefs

The debate on tax reliefs has attracted much comment in recent weeks. In any such debate we must be clear which reliefs we are talking about. Firstly, many tax reliefs are in fact inherent in the tax system and others lessen the burden on taxpayers with specific payments or expenses. This is the case for example with mortgage interest relief, medical expenses relief and pension contributions.

Secondly, other normal reliefs allow for the expenses of business, such as depreciation, interest and accumulated trade losses. If they did not, the real cost to business of capital investment would not be provided for, and business and employment would suffer. One can limit the potential for abuse of these reliefs, as this Government has done, but it is not appropriate to eliminate them.

The great bulk of the €8 billion or so cost of the major tax reliefs generally referred to in recent public discourse falls into those categories which are used by ordinary taxpayers and businesses.

Finally, there are those reliefs included in the €8 billion which were designed to incentivise economic and social development. The annual cost of these reliefs has been tentatively estimated by the Chairman of the Revenue Commissioners in recent evidence to a Dáil Committee as in the order of €200 million per year.

These include the series of property reliefs which were introduced, broadened and enhanced by Governments of all shades in the past. This was done for good reasons at the time, to regenerate the economy and the many parts of our cities and towns which were affected by recession and had poor economic prospects. Such schemes and initiatives were not the preserve of just one particular Government. We can see clear examples of where they have succeeded, particularly in regenerating town and city centres and areas in need of development.

Despite supporting many of these reliefs, there are those who seem unhappy when people with the capacity to use them have in fact done so, which is not a consistent stance to take.

My aim is to seek to improve the equity of the tax system taking into account the social and economic benefit of reliefs in delivering investment in housing, enterprise, urban and rural renewal, tourism, films and health facilities. Because of the complex nature of this issue, the interaction of such reliefs with economic activity and the unintended consequences that untimely action may have for investment, I want to ensure that I take the time necessary to strike a careful and considered balance in what I do. For the successful operation of such schemes and to achieve the common good, we need to ensure the right balance is achieved between the benefit to the investor and the good of the community.

I believe the time is now right to conduct a full review of these incentive reliefs, in particular to evaluate in detail their impact and how they are operating in practice. My preference is for a complete and comprehensive reform of the system rather than a piecemeal approach. For this reason, I have directed my Department, together with the Revenue Commissioners, to undertake a thorough evaluation of the effect of all relevant incentive reliefs and exemptions and to bring forward proposals which would achieve the balance I have referred to. I am now making it clear that I intend to include appropriate follow-up measures in next year's Budget.

Those using this particular group of reliefs, therefore, should realise that the concept of unlimited or unrestricted reliefs is no longer viable or acceptable to the general tax-paying public in current-day economic circumstances. I want to make sure that everyone makes an appropriate contribution to the State.

I wish to confirm to the House that the termination dates for various schemes laid down previously in this year's Finance Act remain unchanged.

I have no problem in maintaining justifiable reliefs and extending them, where appropriate, including in the particular cases that I turn to now.

Stamp Duty Relief for First-Time House-Buyers

I am very aware of the difficulties that many first-time buyers face in their efforts to get onto the property ladder. To assist first-time buyers of second-hand houses, I am providing today for a significant reduction in stamp duty for them. Full details are set out in the Budget Summary.

As a result of this, there will be no stamp duty on first-time purchasers of second-hand houses up to €317,500 in value and reduced rates on such purchases up to €635,000. This new exemption threshold is above the national average price for second-hand houses and is above what the average first-time buyer pays for a second-hand house anywhere in the State. Examples of the savings involved are given in the Budget Summary.

Rent Relief

I am conscious that those living in private rented accommodation also face costs. A tax allowance is currently available at the standard rate for rent payments of up to €1,270 per year for a single person under 55, and €2,540 per year for those over 55, with double the amounts for widowed and married persons. I propose to increase these to €1,500 and €3,000 per year respectively for single persons and €3,000 and €6,000 for married and widowed persons. I know that this substantial increase in tax relief will be welcomed by those living in rented accommodation.

Tax Relief on certain Third Level Fees
Many students are currently able to claim tax relief on their third level fees. Parents can also claim the relief on their children's behalf. The maximum limit on such qualifying fees will be increased from the current €3,175, to €5,000 per year for the academic year 2005/2006. These reliefs are claimed at the standard rate of income tax in respect of certain approved colleges.

Indirect Taxation
I am making no changes to the main VAT and excise rates in this Budget.

This decision will play a significant role in keeping consumer price inflation at the low level we have successfully brought it down to in 2004.

I propose to introduce in the Finance Bill an excise reduction for alcohol production by micro–breweries. This aims to assist the development of employment and investment in this sector and will ultimately promote more competition in the brewing industry.

Farming Reliefs
The reform of the Common Agricultural Policy, the decoupling of farm supports from production, the recently agreed WTO framework agreement and the demands of environmental standards represent major challenges for the farming community. In my view, it is vital that we build up the viability and capacity of the farming sector to cope with these changes. A strong farming sector is crucial to maintaining a vibrant rural community.

For these reasons, I am proposing the following tax measures which will assist in achieving that goal.

Firstly, to help young trained farmers starting off, I propose to extend their special 100 per cent stock relief for a further two years. I also propose to extend the 25 per cent relief for all other farmers for a similar period.

In order to assist in achieving farm consolidation, I will introduce in the Finance Bill a special stamp duty concession to ensure that there is no charge for two years on exchanges of farm land of the same value for consolidation purposes.

I am also enhancing the capital allowance for expenditure on farm pollution control to assist in meeting the requirements of the EU Nitrates Directive. It is important that the environmental measures required by this directive should be put in place without delay and that we assist farmers in doing so.

The Finance Bill will also provide for measures to address the issue of income averaging in the context of the change-over to the new Single Farm Payment system.

Finally, the rate of farmers flat rate VAT for 2005 is being increased from 4.4 per cent to 4.8 per cent to reimburse unregistered farmers for the VAT they pay on their inputs as calculated by the CSO. This is worth €16 million in a full year.

Other Taxation Measures

There is at present a special duty of one per cent on the formation of companies and in the raising of share capital. This rate of duty is higher than that in many other EU member states and may inhibit our attractiveness to investment. In order to maintain our attraction as a location for headquarter and other enterprises, I propose to cut this duty to one-half of one per cent. This will be of benefit to the financial services sector, which is important to employment in this economy.

The Finance Bill will also contain measures to eliminate a double stamp duty charge on financial cards where a person is merely switching from one provider to another. This rectifies a side-effect of recent legislation and will remove a barrier to competition between financial card providers.

Social Welfare

The Government's overall strategy is to secure economic growth on a sustainable basis so we can generate the resources to address the needs of society. The needs of the most disadvantaged have a particular claim on our collective resources. One of the principal means of meeting our responsibilities in that regard is through the social welfare system.

The improvements in social welfare payments that I am announcing today will amount to an additional €874 million in a full year.

Even within such a large sum, priorities have to be set. This year, I believe it is right that we should give special consideration to those on the lowest incomes, while still providing substantial real increases for all beneficiaries.

Old Age Pensions

This Government has a proud record of improving income support for pensioners. It is an area which we have concentrated on since our return to office. Today, I am increasing the full personal rate of old age and related pensions by €12 per week – an increase of over 7 per cent. This will bring the Old Age Contributory Pension to €179.30 per week and means we will be well on the way to achieving the Programme for Government commitment to increase the State pension to €200 per week by 2007. In 1997 the Old Age Contributory Pension was €99.04 per week. In 2005 it will be €80.26 per week higher than that – an increase of just over 80 per cent.

The new rate for the Old Age Non-Contributory Pension will be €166 per week.

The increased rates for old age and related pensions will help to support a well-deserved improvement in the living standards of our older citizens.

Other Weekly Welfare Payments

Unemployment assistance and all other non-old age pension personal weekly social welfare rates will be increased by €14 per week. This will bring the lowest full personal social welfare rate to €148.80 per week – an increase of over 10 per cent, which is four times the expected rate of inflation. In 1997, the lowest full personal social welfare rate was €83.04. In 2005 it will be €65.76 per week higher – an increase of just under 80 per cent.

The level of increase in 2005 for those in receipt of these payments reflects the fact that they have seen their living standards rise at a somewhat slower rate than other recipients of social welfare payments. Therefore, the Government believes that it is appropriate to make this slightly higher provision next year for these groups.

Child Benefit

In 2005, the monthly rate for the first and second child will increase by €10 to €141.60 and the rate for third and subsequent children will increase by €12 to €177.30 – increases of over 7 per cent in both cases. I will complete the transition to a higher rate of Child Benefit in next year's Budget. This Government has substantially increased the rates of Child Benefit. The monthly rate for the first and second child in 1997 was €38.09. In 2005 it will be €103.51 higher – an increase of more than 270 per cent.

Other Social Welfare Measures

The Budget Summary contains a range of other social welfare improvements, the full details of which will be announced by the Minister for Social and Family Affairs.

Among these measures are:

- an increase of €39 per week in the Family Income Supplement income thresholds
- improvements to the Maternity Benefit scheme, and
- improvements in the support provided to carers, particularly in the area of respite care – the Respite Care Grant will increase to €1,000 and it is expected that over 9,000 new recipients will benefit from the Grant.

The very real increases in social welfare which I have just announced are a significant step towards the implementation of our commitments in the Programme for Government and in Sustaining Progress.

I am also providing a sum of €5 million for the Department of Community, Rural & Gaeltacht Affairs to support the development of community services in disadvantaged areas and to complement the contribution of workers employed for service delivery under the Social Economy and Job Initiative Programmes operated by FÁS.

Disability Services

On 21 September last, the Government launched the National Disability Strategy. This will put in place a programme of action to support and reinforce equal participation in society by people with disabilities. While the Disability Bill, the Comhairle (Amendment) Bill and the six outline Sectoral Plans published by my Ministerial colleagues are all essential parts of the strategy, the Government also gave a clear commitment to introducing a multi-annual funding programme for high–priority disability support services.

When I published the Expenditure Estimates last month, I explained that some €2.8 billion overall would be provided in 2005 specifically for people with disabilities. This represented an increase of €290 million or 11 per cent on the 2004 figure. This level of resourcing represents significant progress over a number of years, with the 2005 provision more than three times the 1997 figure.

This €2.8 billion will fund:

- health sector services specifically for people with an intellectual disability or autism, physical or sensory disabilities and mental illness
- first, second and third level special needs education
- specialised training and employment support services provided by FÁS
- the cost of certain tax reliefs to assist mobility and
- the adaptation of accommodation specifically for persons with disabilities.

In addition to this €2.8 billion, many people with a disability receive income support provided through the Department of Social & Family Affairs, and benefit from mainstream health services such as speech and language therapy and physiotherapy.

My colleagues, the Tánaiste and Minister for Health & Children and the Minister for Education & Science, have already announced details of how the higher funding in 2005 will be used. In the case of the health sector, for example, an additional €70 million current expenditure is being allocated to provide a range of services including:

- over 800 extra residential, respite and day places for persons with intellectual, physical or sensory disability or autism
- over 200,000 extra hours of home support and personal assistance for persons with physical or sensory disabilities, in line with the philosophy of supporting independent living, and
- additional community-based mental health facilities.

I am pleased to announce now that this extra €70 million current spending will be underpinned by a complementary capital allocation of €60 million which is included in the revised capital envelopes which I am announcing today.

In addition, the 2005 capital envelopes include an extra €3.7 million in respect of a once-off payment to St. Michael's House at Belcamp in Dublin towards the cost of a swimming pool for the disabled. They also include a further €500,000 payment to the Irish Wheelchair Association towards the cost of the final renovation phase at their *Cuisle* National Holiday Centre in Donamon, Co. Roscommon.

Increased investment in a systematic way over a number of years will deliver sustained service improvements. It is also important to identify priorities, set clear targets and put in place effective systems to monitor service improvement outcomes. The National Intellectual Disability Database is a good example of what is required. It provides information on the numbers of persons with an intellectual disability, existing levels of service provision and current and future service needs over a five-year period.

As a former Minister for Health, I introduced the first ever three-year investment programme put in place by Government in the year 2000 to address the needs of persons with an intellectual disability. These needs had been identified in the 1999 Annual Report from the National Intellectual Disability Database Committee. This resulted in the provision of additional current and capital funding of €230 million between 2000 and 2002. Specific additional funding was also provided by the Government in 2003 and 2004 for services for people with disabilities. The impact of this investment is plain to see.

In 2004, nearly 24,000 people with an intellectual disability are receiving services. This represents 94 per cent of all those currently on the Database – up from 89 per cent in 1999. Key developments to note include:

- a 45 per cent growth in the number of people with an intellectual disability living full-time in group homes within local communities
- an increase in the provision of intensive residential placements designed to meet the needs of individuals with challenging behaviours, which has almost trebled to 311 places
- a 55 per cent reduction in the number of people with an intellectual disability accommodated in psychiatric hospitals
- a continued expansion in the availability of residential support services, in particular, planned or emergency centre-based respite services, which have more than quadrupled; for example, between 2001 and 2002 alone, an additional 443 people reported as being in receipt of these services, and
- increased provision in almost all areas of adult day services and in the level of provision of support services delivered as part of a package of day services to both children and adults.

This is social inclusion in practice making a difference to ordinary people's lives.

I want to build on the experience of that success. I am pleased, therefore, to be in a position today to announce a special disability multi-annual funding package with a total value of close to €900 million over the years 2006 to 2009. This funding is being dedicated now for the period until 2009 so as to ensure the delivery of these high priority disability services.

This package includes guaranteed additional current spending of almost €600 million. The Government has also agreed to allocate €300 million out of the revised capital envelopes to which I referred earlier to these high-priority disability services. Further details are provided in the Budget Summary.

The bulk of the new funding package will go to the health sector where it will be invested in services for persons with an intellectual disability and those with autism, services for persons with physical or sensory disabilities and mental health services. It will focus, in particular, on the provision of extra residential, respite and day places, extra home support and personal assistance, and extra places in community based mental health facilities.

Together with the 2005 funding, it is estimated that, by the end of 2009:

- over 4,500 extra residential, respite and day places will be provided for persons with an intellectual, physical or sensory disability or autism
- about 600 persons with intellectual disability or autism will be transferred out of psychiatric hospitals and other inappropriate placements
- about 1.2 million extra hours of home support and personal assistance will be provided for persons with physical or sensory disabilities and
- 400 new places will be provided in community based mental health facilities.

The balance of the 2006 – 2009 disability funding package is being allocated between four other Departments or Offices.

These resources will be used to:

- enhance education services for adults with disabilities and expand pre-school provision
- support projects which demonstrate an innovative and cost-effective approach to service provision and
- improve accessibility to public buildings and amenities.

Details on this are set out in the Budget Summary.

As far as the 2005 allocations for these four Departments or Offices are concerned:

- the allocation for the Department of Education & Science already includes an extra €5.5 million
- the capital envelopes for the Department of the Environment, Heritage & Local Government and the OPW include €10 million and €5 million, respectively and
- I am today providing an extra €3 million for the Department of Justice, Equality & Law Reform.

What I am dealing with today are certain high-priority services. However, I want to make it clear that other disability services will also continue to be dealt with as a normal part of the annual estimates process and will receive extra funding going forward as overall budgetary circumstances permit.

My strong view, based on my experience as Minister for Health, is that the disability programme was for many years at the end of the queue for resources. It did not benefit from the type of professional lobbying and support which the acute hospital and primary care programmes traditionally got from strong, organised interests in the health services. Families of people with disabilities had their hands full simply trying to cope. Nor did it attract the same level of public attention as issues such as waiting lists, medical cards, etc. Instead, most of the running had to be made by voluntary organisations. The National Disability Strategy shows a clear political focus by this Government on addressing the needs of the disability sector in a very concrete and specific manner. We also need to build on the existing partnership between the statutory health service structure, the voluntary service providers, and people with a disability and the voluntary organisations representing them. It is absolutely essential now that all those concerned work together to ensure that those most in need get the improved services they require.

The funding package which I am announcing today and the services which will be provided as a result, represent a considerable and guaranteed advance in the support available to people with a disability. The extra service capacity will meet in a very substantial way the needs which are projected to arise over those years and will make a real difference to the lives of people with a disability and their families. Today's actions give the lie to those who claim that this Government is indifferent to the needs of some of the most vulnerable members of our society.

Conclusion

Before concluding, I would like to comment on the budgetary process itself. The policy decisions we take here today impact on ordinary people's lives. That much is very clear.

As I said at the outset, I have seen twenty Budgets in this House. There have, however, been important recent changes in how the process evolves.

We now publish three year economic and fiscal programmes in the EU Stability Programme Updates included in the Budget booklet. We have moved to multi-annual capital budgets which allow us to focus more clearly on the reasons why we are investing and what we expect from such investment. Every Department of Government now publishes regular Statements of Strategy setting out what it is they are seeking to do.

What is missing, in my view, is a constructive debate on, and examination of, all this material as part of the policy formation process. I am open to considering with the House how we can make improvements in the situation, while retaining the right and duty of the Government to direct and manage the budgetary process. I hope that I am taken up on this offer.

There is a general consensus that Ireland has a bright future. We can grow our economy to give us the resources we require to meet the needs and aspirations of our citizens.

This requires balanced, consistent policies, seeking fairness in the distribution of resources and efficiency in the delivery of public services.

This Budget:

- radically improves the funding for and delivery of services for the disabled
- increases social welfare rates by well above the rate of inflation
- frees those on the minimum wage from income tax
- seeks to reinforce the equity of the tax system through the plan of reform I outlined earlier
- keeps inflation low to help those on lower incomes, and
- enhances our capital spending to improve our public services.

This Budget shows the clear commitment of this Government to a fairer sharing of the resources for some of the most vulnerable of our citizens.

This Budget shows our commitment to improved public services which deliver value for money services to all our citizens.

It demonstrates our determination to invest in our community, our infrastructure and our future.

I strongly contend that the Budget, the country and its future are in safe hands with this Government.

There is more to come in the next two Budgets to be presented to this House. This Budget is my first instalment.

I commend the Budget to the House.