

## Budget Speech

**2nd December 2004**

**Budget Speech by Liz O'Donnell TD**

*Speech by Liz O'Donnell TD on the Budget Debate, Dáil Éireann, 2 December 2004*

This is the third budget of the PD/Fianna Fail government formed since the 2002 election. Combined with the estimates announced on Nov 19 this budget represents an important milestone in fulfilling the commitments we made to the Irish people in the Agreed Programme for Government. This is chapter three in a five-chapter story and, given the progress we have made to date, I am confident that the people of this country can look forward to a happy ending at chapter 5.

The fundamental philosophy underlying the Agreed Programme for Government is that through maintaining a stable fiscal framework; a low tax regime on work and enterprise can generate high levels of employment which in turn provide the resources to spend on the social needs of our society. A successful economy is an instrument of social justice.

The Budget and Estimates for 2005 reflect this philosophy.

The Budget is designed to underpin and sustain the remarkable performance in recent years when, even in the depths of a global downturn, unemployment remained below 5%. It will do this by taking a prudent approach to borrowing while prioritizing expenditure on Health, Education, Welfare and Security as well as continuing the high level of investment in infrastructure.

Next year economic growth will be 5%, employment will be up by 35,000 while inflation will be 2.5%. Thus, Ireland's growth rate will be the highest in the EU (double the average) and employment will continue to grow while inflation will be close to the EU average. At the same time borrowing will be modest and our national debt as a proportion of income will be the second lowest in the EU.

### **FAIRER TAXES**

This government has a proud record of reducing the tax burden on work and enterprise. We have nothing to apologise for in this regard. We have ensured, for example through the introduction of tax credits, that those on lower incomes have benefited most.

The Tánaiste, when Minister for Enterprise, Trade and Employment, introduced the minimum wage. It has been our party's objective since then to exempt those on it from the tax net. Yesterday, we did that.

In 2005 a person on average industrial earnings will pay tax and PRSI of under 17%, compared to over 27% in 1997.

A single person earning €30,000 in 1997 paid €11,100 in tax and PRSI. Next year, he or she will pay only €4,800. That's a saving of €6,300 in tax at a time when average earnings are up by approximately 80%.

**This budget takes thousands of people out of the higher tax bracket by increasing the standard rate bands. I would have liked to go further. However, this is chapter 3 in a 5 chapter story. Significantly widening of the bands will have to be a major feature of the next two chapters.**

In the Budget Speech, the Minister undertook to review tax incentives which have enabled many high income people to avoid paying tax altogether. I welcome this. The fundamental Progressive Democrat position on taxation has been that there should be low tax rates on a broad base. I see the current review as being totally in keeping with that philosophy.

Nevertheless, we have to recognise that many of these schemes were introduced for good reasons and were successful. It is disingenuous to label them all negatively after the event. What we require is an outcome that achieves the correct balance between necessary incentives and the fundamental principle that, in a republic, citizens should contribute to the provision of public services.

## **SOCIAL WELFARE**

The impressive level of economic growth allows us to make real progress towards meeting our commitments in the Agreed Programme for Government.

The Progressive Democrats have always had a strong commitment to looking after elderly in our society. I am glad that we have always more than honoured our promises in this regard. The increase in the old age pension in this budget to €179.30 per week means we are well on track to meeting our target of a pension of at least €200 a week by 2007.

The €14 per week basic increased in social welfare payments bringing them to €148 per week for a single person, is a significant and welcome increase.

## **HEALTH**

By our nature, the Progressive Democrats are a reforming party. Budget 2005 essentially funds a major reform agenda in Health, to be driven by the Tánaiste. We are investing substantial additional public money in this area while at the same time encouraging the private sector to come forward with investment to complement exchequer spending.

We have always believed in the power of innovation and enterprise in both the public and private sectors. We want to use the power of incentives to achieve the social and economic progress to which our citizens are entitled.

- High quality employment.
- A world-class health service.
- Lifelong education.
- An innovative and enterprising economy.

## **DISABILITY**

The allocation of €2.8 billion towards disability in 2005 is a powerful statement of solidarity with a long-neglected sector - people with disabilities and those who care for them. In today's budget there is an additional €60 million capital allocation to help us build up disability services in Health next year.

I particularly welcome the cumulative €900 multi-annual programme of investment in disability services, most of it in the health sector, for 2006 to 2009. This will allow the Tánaiste and other ministers to predictable funding to put in place new services, which give practical effect to the rights under the disability bill.

This funding will enable us to take the actions which have been sought by families of people with disabilities going back many years:

- 4,500 more residential and respite places
- moving 600 persons with intellectual disability out of psychiatric hospitals and other inappropriate settings.
- 1.2 million extra hours of home support and personal assistance
- 400 new places in community based mental health facilities

## **CARERS**

The Progressive Democrats first proposed the Carers Allowance. Carers Benefit and the Carers Respite Care Grant were all introduced with the Progressive Democrats in Government.

There is substantial extra support for Carers in this year's Budget. For example, Respite Grant increasing from €835 to €1000 and the Carers Allowance is increased by 10%.

## **OVERSEAS DEVELOPMENT AID**

While this Budget makes real progress towards achieving the objectives in the Programme for Government, I have to mention one area where a target has not been honoured. This is in our aim to reach the UN target of 0.7% of GNP by 2007. This represented a real test of our commitment to help the poorest of the poor. I, of course welcome the commitment to spend €1.8 billion on ODA over the next three years. However, this must be seen as a minimum and I will continue to advocate that additional funding be made available over the next two years.

## **CONCLUSION**

This budget demonstrates that we are in no way changing course.

It recognizes that our impressive growth can only be fostered through low taxes on work and enterprise. And it recognizes that such growth is the only reliable engine for social progress.

In the debate this morning I noticed Opposition Deputies trawling for negatives and being reduced to speculating as to who lost and who won. It is clear to me and to any objective observers that the country won.

The Budget is fair and balanced and the country will continue to win as we implement our ambitious Programme for Government.