Client: Sahaviriya Steel Industries
Source: Newcastle Journal (Main)
Date: 20 October 2010
Page: 11
Reach: 28232
Size: 304cm2
Value: 1358.88

FINSBURY

We need cuts to safeguard the future

GRAHAM ROBB

IF YOU work in the public sector, or are in the news business, today is an important day. Today is the day George Osborne will reveal the public spending totals that will shape our public services and the economy for the next five years.

Unlike many other commentators, today I want to make the case for the cuts.

Firstly, this is not about cutting public spending but slowing down its growth. Total public spending will be higher year on year in each of the next five years. However, because the Government has decided to protect certain budgets; the NHS, schools and overseas aid, other departments will need to see their budgets grow less and reduce the plans they had.

The key numbers in this debate are approximately £1.4trillion, £700bn, £540bn – these are respectively the total size of our economy, the total size of public spending, and the amount the previous Labour Government would have raised in taxes to pay for it. Note that Labour's budget was £160bn short of what was needed to pay its bills.

The new Government said it will fill the gap by a combination of tax rises and spending cuts; we heard about the tax rises in the Emergency Budget – today we hear about cuts.

We know they will total about £61bn from departmental budgets over five years – nobody who has worked in the private sector through this recession will think this is extreme; £61bn is less than 10% of total public spending.

Labour says we don't need to make these cuts now. But every day that we wait, the interest on the money we borrow piles up. Next year the interest will be more than the defence budget or the schools budget. The total debt of our country stands at more than £800m – money which will have to be paid back by our children.

The International Monetary Fund (IMF) has commended the Chancellor for the programme he is about to announce. Unlike other countries with massive debts, we are now prepared to control spending and be responsible about our borrowing.

The result is the UK credit rating is good and the interest rate we pay on our debts is half that of countries like Ireland or Greece. A delay in cutting spending would result in the Government paying higher interest rates with crippling repayments.

All this is vitally important to the North East economy. The usual critics of the Conservatives suggest we are so reliant on public-sector employment that any cuts will hurt us more than any other part of the country.

In my view, targeted cuts are the spur the North East needs to change its economic mentality. We have the talent, enterprise and initiative to come through this.

The headlines have screamed disaster but the business pages show the path to success. The worst estimates suggest 28,000 North East jobs may be lost in the public sector during the five-year period of these cuts.

However, in the last six weeks alone the number of new private sector jobs reported in The Journal and other publications is 4,451, together with investment of £270m and contract wins of £570m! Even traditional businesses, like Corus, are investing in the region again.

The news that the Redcar blast furnace is likely to be sold to SSI was a tribute to the hard work of local campaigners and the determination of David Cameron to press the case with Tata's president in India.

The offshore sector has started to achieve meaningful investment to build equipment in the alternative energy supply chain. And our exporters have had a terrific year; North East export growth is 6% – higher than any other part of the UK.

The economy is in recovery and it is private-sector led.

George Osborne's statement today should provide the necessary conditions for the recovery to be meaningful for the North East. Whatever our politics, it's time for us to come together in the national and regional interest and accept these necessary and unpleasant cuts.

Graham Robb is senior partner at Recognition PR and a North East Conservative activist

"The headlines have screamed disaster but the business pages show the path to success