

MAJOR CURRENT ISSUES IN THE NI DEPARTMENTS

1. The purpose of this brief is to give an indication of some of the major and more urgent issues currently being addressed by the Northern Ireland Departments.

ECONOMIC AFFAIRS

2. Unemployment in NI is the highest of any UK region (19.1% of the working population as compared with 11.7% for GB as a whole). In absolute terms, unemployment presently around 130,000, is some 2.5 times greater than it was 10 years ago. The geographical distribution of unemployment is such that the West of the Province experiences the highest rates: 50.6% for males in Strabane and over 40% in Magherafelt and Cookstown. Comparable levels of unemployment to the West also exist in parts of inner Belfast.
3. The severity of the unemployment problem is underlined by the fact that around 50% of the total unemployed have been out of work for more than one year. Unemployment is also concentrated among the younger age groups with the number of unemployed persons under 25 years of age now approaching 40%.
4. Calculations made for the inter-departmental Economic Steering Group (ESG) indicate that unemployment in NI will rise during the rest of the decade. A level of unemployment of around 151,000 (25.0%) is expected by 1990. Outside forecasts are in broad agreement with this scenario.
5. The government's response to these problems involves a three-pronged strategy:
 - (a) A maximum public expenditure programme (in housing and infrastructure as well as in industrial development) consonant with the Government's wider economic objectives and policy.
 - (b) A particular priority within the overall public expenditure programme for the support of existing industries (including the development of indigenous small firms) and the attraction of new ones.
 - (c) Social measures to help cope with the effects of continuing high unemployment.

6. Some of the main individual issues and cases currently active in the economic field are:-

(a) **SHORT BROTHERS PLC**

On 19 July 1986, after Ministers had considered Shorts' 1985 Corporate Plan update, Dr Boyson wrote to Sir Philip Foreman, Chairman/Managing Director, registering Government concern at the deterioration in the company's financial performance during 1985/86 - a forecast loss of some £30 millions (audited accounts for 1985/86 in final preparation stage). Dr Boyson advised the company that in view of the extent of the downturn in the company's performance Government felt the time was right to examine fully the fundamental strategic options now facing Shorts. The company is to submit by September, at the latest, a new Corporate Plan which will cover detailed costings of a number of strategic options on which Ministers will decide the most appropriate way forward for Shorts. In the meantime the Ministry of Defence is considering Shorts' bid to supply a third-generation close air defence missile which is critical to the company's future. On privatisation, the company remains in principle on the list of candidates, but no decisions on timing, method etc have been taken; the company's recent performance will inevitably delay it or even make it impossible.

(b) **HARLAND AND WOLFF PLC**

In July E(A) Ministers considered, by correspondence, future funding and strategy for Harland and Wolff.

Ministerial colleagues agreed to endorse H&W Board's proposed redundancy and capacity reduction programme, which was based on an overheads report prepared by Maynards (a Swedish Shipbuilding Consultancy), and to encourage the company to seek greater working flexibility as soon as practicable. With regard to 1986/87 funding, an external funding limit of £68m was approved on condition that the Board take steps to bring capacity into line with the future orderbook. A new Corporate Plan will be prepared by the company before the end of October 1986 which will give Ministers another opportunity to assess capacity against workload, determine future financial support in the light of the management's plans and to review the study H&W have prepared on their offshore market prospects. In the interim officials will be considering ways of strengthening the H&W Board.

(c) JAMES MACKIE AND SONS LTD

This textile machinery manufacturer, currently employing 1000 in West Belfast, has submitted a survival plan to IDB which proposes a major re-equipment and rationalisation of its facilities. The ownership of the Company is held by a Trust which holds the assets on behalf of the workforce. The rationalisation programme will require considerable funding and the Company is looking to Government to provide much of the finance required. Ministers have indicated that before considering this proposal the Company will have to demonstrate that it has undertaken an exhaustive search for private sector finance. Ministers have set an internal deadline of end September for IDB to review with the Company progress on the search for funding and indicated that the way forward for Mackies should be considered again by Ministers in the light of this review.

(d) DE LOREAN

The Joint Receivers appointed by Government are continuing to pursue the recovery of funds lost in this venture through the realisation of assets and legal action against those deemed to have acted improperly. To date some £7.8m has been recovered in the UK (including the factory valued at (1.7m).

In the US a major legal action has been instituted against the De Lorean (both the UK and US companies') accountants, Arthur Andersen & Co. At present a US judge is considering a plea by AA to have these proceedings discussed. The US Department of Justice has brought criminal charges against Mr De Lorean relating to the misappropriation of funds through Switzerland and this trial is due to begin in Detroit in September.

(e) ELECTRICITY

In order to relieve the NI electricity generating system of its heavy dependence on hitherto costly imported fuel oil, one of the four stations (Kilroot) is currently being converted to dual coal/oil firing. It has been decided to complete this project in spite of the present low oil price levels. In preparation for the planned retirement of two small stations in the mid 1990s, studies of the options for providing replacement generating capacity are now well advanced and it is hoped that decisions

will be taken in early 1987. A major option is a new lignite fired power station located at the minemouth, and, should this be preferred, competitive proposals for its construction and operation are being developed by the NIES and by two private sector consortia. Legislation to facilitate such potential involvement by the private sector in electricity generation is scheduled for publication in November.

(f) **EQUALITY OF EMPLOYMENT**

Following the publication in mid-1985 of data which indicated a wide differential in unemployment between Roman Catholics and Protestants the then Secretary of State for Northern Ireland (Douglas Hurd) asked officials to consider how the current approach to equality of opportunity in employment could be made more comprehensive, consistent and effective. Following this study a Consultative Paper has been prepared and 'H' Committee has agreed to publication, which is scheduled for 16 September. The Paper puts forward strategy options and is strongly focussed on the religious dimension of discrimination although it also considers discrimination in relation to sex and disability and possible changes in institutional arrangements covering all three dimensions. Further briefing on the content of the Paper is being provided. (The date of publication and the content of the paper are at present confidential.)

PES BILATERALS

7. The Secretary of State is due to meet the Chief Secretary on 18 September to discuss Northern Ireland public expenditure in the context of the 1986 Public Expenditure Survey. The topics for discussion will be the Survey bid in respect of the costs of the Anglo Irish Agreement; Departmental running Costs and Manpower; and the treatment in comparability of Local Authority Current Expenditure.
8. A Northern Ireland Minister will need to continue to be engaged with the other UK Agriculture Ministers in PES bilateral discussions with the Chief Secretary on Agriculture which is carried on MAFF Votes but extends to Northern Ireland in the form of either European Community or National UK schemes. There are in fact plans currently nearing completion for transfer of some responsibilities from MAFF to DANI. Agriculture expenditure which lies within the NI block is not for discussion at these bilaterals but will be dealt with as part of the separate bilaterals in the NI block.

SOCIAL AFFAIRS

9. The priority which has been given to expenditure on housing programmes in recent years has effected a considerable improvement in housing standards, which were among the worst in the UK (in 1979 14% of all dwellings were statutorily unfit compared with 4.6% in GB). The current programme places more emphasis than formerly on the improvement and maintenance of the Housing stock, and the significant increase in new build in the private sector has warranted a reduction in the level of public sector new build. Recent reductions in the resources available to the Housing Executive will inevitably slow down the rate of improvement in housing conditions.
10. Public sector rents and district heating charges owed to the NI Housing Executive, together with fuel and rate debts, produce a high level of public debt in Northern Ireland. Although initially politically motivated high levels of debt are now more a reflection of low income and high unemployment. The Public Accounts Committee has considered the level of public debt and recommended that Departments and creditor bodies should try to improve control over debt and regularly review the effectiveness of debt recovery methods. Collection of these public debts (plus collection of motor tax) is part of the current protest action against the Anglo-Irish Agreement, referred to in para [].
11. Social, environmental and economic problems are highlighted in Belfast and so a number of current issues relate to methods of improving housing and environmental conditions and regenerating economic life, particularly of the City Centre and the River Lagan.
12. Public sector rents and district heating charges accrued to the NI Housing Executive (NIHE) together with fuel and rate debts, produce a high level of public debt in Northern Ireland. Although initially politically motivated within the Nationalist community, high levels of debt are now more a reflection of low income and high unemployment. The current campaign of withholding rates by some sections of the Unionist community in protest at the Anglo-Irish Agreement may reverse the marked trend in recent years of a reduction in Rates debt.
13. In the field of social legislation proposals for amending legislation on liquor licensing and club registration have been drafted for intended publication in October 1986. These provide for Sunday opening of public houses, which will be

a highly contentious issue. They also provide tighter controls over clubs, a field which is open to financial exploitation by criminal and paramilitary elements.

HEALTH AND PERSONAL SOCIAL SERVICES IN NORTHERN IRELAND

14. The strategy for the development of the health and personal social services in recent years is set out in the DHSS Regional Strategic Plan, 1983-1988. This is now to be rolled forward and will lead to a new Plan for the period 1987-1992.
15. In January this year the DHSS issued regional planning guidelines for the provision of health and personal social services for the period 1987-1992 and invited the Health and Social Services Boards to draw up Area Strategic Plans by October 1986 for the delivery of services into the late 1990s and beyond. The DHSS guidelines point to the need, strategically, to shift the emphasis towards health education and prevention, to build up primary care, to provide care in the community for people now inappropriately placed in institutions and to arrive at a better balance of care. This will entail closure and change of use of many acute hospitals, which is a potent source of controversy at local level.

CORONARY HEART DISEASE PREVENTION PROGRAMME

16. Northern Ireland has one of the worst rates of Coronary Heart Disease (CHD) in the world. Evidence from other countries shows that in many cases the disease is preventable and a programme of action is being launched on 28 October to combat CHD.
17. The programme of action, entitled Northern Ireland's "Change of Heart", will be community based and has been developed drawing on the experience of the North Karelia Project in Finland where deaths from CHD fell by 30% in the 10 year period following the launch of their prevention campaign. The main aim of the programme is to bring about a significant reduction in the incidence within the population of the primary risk factors - smoking, raised serum cholesterol, physical inactivity and high blood pressure.
18. The launch event, which is intended to involve the Secretary of State and the Health Minister, will be built around a healthy living exhibition and a lecture by Professor Geoffrey Rose, one of the leading world experts on cardiovascular

epidemiology. It is hoped that the launch will attract widespread media attention and give a considerable impetus to the programme.

PRIMARY HEALTH CARE

19. In April 1986, the Government, by the publication of "Primary Health Care - An Agenda for Discussion", initiated a review, on a UK wide basis, of the health services provided outside hospital mainly by family doctors, dentists, retail pharmacists and opticians.
20. Copies of the document were distributed widely to health service, professional, voluntary and consumer interests for written comment by 31 December 1986. In addition, the Northern Ireland agenda has been extended to include issues which are of particular concern locally. Attention here will focus particularly on the organisational structures necessary to facilitate better co-ordination in the planning, management and delivery of services. Views will also be sought on how the capacity of the primary care and other community services can be effectively increased to cope with additional demand arising from earlier hospital discharge, the general shift from hospital to community care and the greater emphasis on disease prevention and health promotion.

The Social Security Reviews: Impact on Northern Ireland

21. The proposed changes in the social security system stemming from the Social Security Act 1986 will be extended to Northern Ireland by Order-in-Council.
22. As with the rest of the United Kingdom there will be gainers and losers resulting from various changes but the overall result for Northern Ireland will be a substantial reduction in the funds available for social security. Although many Northern Ireland families with children should gain from the reforms of the income-related benefits (Income Support, Family Credit and Housing Benefit) this will be off-set by the introduction of the Social Fund which will replace the present system of lump-sum single payments under the supplementary benefit scheme, on which a higher proportion of supplementary benefit claimants rely in Northern Ireland than in any other part of the United Kingdom. If the budget available for the Social Fund in Northern Ireland is drastically reduced as compared with the present level of single payments (£36 million pa) then many claimants, mainly pensioners and the unemployed, could suffer severe losses. The allocation of funds to the Social Fund is therefore a crucial issue.

AGRICULTURE

23. Farming income in 1985 fell by over 50% in "real" terms reflecting a substantial reduction in the volume of net output of the industry and despite a virtually unchanged cost/price ratio compared with 1984. A major reason for the fall in output was the atrocious weather conditions that year leading directly to crop losses, reduced yields, grass and fodder changes and increased labour and machinery costs. There were however other important factors unrelated to the weather including lower stocks of cattle on farms at the end of the year following 2 years of heavy marketing, and a substantial fall in egg output, reduced sales of milk off farms following the imposition of milk quotas and a marked increase in bank interest rates. It is evident that some of the consequences of the bad weather in 1985 have been carried over into 1986 and the fairly poor weather conditions in the spring and summer of this year are again likely to affect farm output.
24. Because of the importance of agriculture to the NI economy the effects of the Common Agricultural Policy have particular relevance here. The area of land in NI classified as "Less Favoured Areas" (LFAs) was extended from 44% to 75% in 1984. Being within the LFAs attracts special rates of grant and livestock subsidies. A large number of appeals against exclusion from the enlarged LFAs have been received and are presently being considered by an Appeals Panel. It is anticipated the exercise will be completed in early 1987.
25. The Northern Ireland Agricultural Development Programme, which was introduced in January 1982 is currently being reviewed and pending consideration by the EC Commission, the Programme was suspended from 1 April 1986. Pending a decision on the form of the Programme in the remainder of its 10 year period a "bridging scheme" for reseedling and regeneration of grassland was introduced for a 2 month period from the beginning of August 1986.
26. Following the introduction throughout the UK of a 60% grant for the construction of effluent disposal facilities, under the Agriculture Improvement Scheme uptake was such that projected expenditure in Northern Ireland on this item far exceeded expectations and special measures were introduced specifically in Northern Ireland in order to curtail expenditure.
27. Milk producers in Northern Ireland continue to feel aggrieved at their treatment in the allocation of milk quota within the UK. In particular they feel that a special allocation of 65,000 tonnes from the Community Reserve in 1984 was

distributed in a manner to deprive Northern Ireland of its intended benefit and also that the operation of regional reserves resulted in lower levels of awards for the many special case claims in Northern Ireland. Both these matters have been brought to the attention of the Commission by the NI industry and MEPs and efforts are being made to resolve the problems.

28. The disposition of radioactivity as a consequence of the Chernobyl incident did not warrant any restriction upon the sale of NI produce, but the utilisation of winter fodder containing radio-caesium is currently under investigation.

EDUCATION

School Rationalisation

29. A decline in school enrolments has necessitated a rationalisation of controlled school provision in Belfast. Good progress has been made but not without protest over school closures. At the same time two small, but growing, schools have been accepted for grant-aid from the Department of Education, namely Lagan College, an integrated secondary school, and Bunscoil Ghaelach, an Irish speaking primary school. There has been criticism that the Department's decision is in conflict with the policy on rationalisation but this is not so as the new schools are expanding while the others involved continue to decline.

EC Affairs

30. For some time the European Community has shown close interest in the particular problems of NI. This has been demonstrated through a number of reports and initiatives such as the Haagerup Report (March 1984); the Urban Renewal Regulation (June 1983), which provides for approximately £60m over the period 1983-85 to promote urban renewal in Belfast; and an Integrated Operation for Belfast initiated in 1979. Following a Resolution by John Hume on an Integrated Rural Development Programme for Northern Ireland, the Regional Affairs Committee appointed T J Maher as rapporteur. The resolution is expected at Plenary Session later this year. Departments have made factual comments on the draft resolution and Memorandum. However it is felt advisable not to comment on the policy implications until it has passed through the European Parliament and until we have a clearer idea of how other developments eg the review of structural funds will progress.
31. The EC has shown particular interest in the border area between Northern Ireland and the Republic of Ireland and has contributed towards the cost of a number of cross-border economic reports. While these reports are helpful they often focus on local priorities which are not necessarily reflected in overall priorities at regional level. This can lead to disappointment at local level when expectations raised by the reports are not fulfilled. Nevertheless local pressure and EC support for cross-border studies continues. A report setting out a development strategy for the catchment area of Lough Melvin has just been completed. The report, which highlights the tourism potential of the area, is expected to be formally presented to the 2 Ministers in mid-September.

ANGLO-IRISH AGREEMENT - INTERNATIONAL FUND

32. (a) In the wake of the Anglo-Irish Agreement the UK and Irish Governments have agreed to establish an International Fund to promote economic and social advance and to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland.
- (b) It is expected that the UK and Irish Governments will during September sign an Agreement to establish the International Fund for Ireland as an international organisation. The necessary legislation will be presented to the London and Dublin Parliaments in the autumn and is expected to come into force towards the end of 1986. This will have the effect of giving the Fund a legal personality and enabling it to spend, hold and receive money, enter into contracts, institute legal proceedings, and acquire and dispose of property; the Fund's income would not be taxed.
- (c) The USA has voted 50m dollars for the current US fiscal year ending on 30 September 1986 and this money will be paid to the Fund on completion of the legislative steps in Dublin and London. It is likely that the USA will provide a further 70m dollars - 35m dollars in each of 1987 and 1988. Canada has announced that it will provide \$10m (Canadian) and New Zealand will also contribute; the possibility of contributions from some European countries is being explored.
- (d) Arrangements for administering the Fund, and the criteria to be met by projects which it will finance, have not yet been finalised. It is however envisaged that the Fund will be headed up by an administering Board which will take decisions on which projects are to be assisted. The Board shall be appointed jointly by the British and Irish Governments.

(e) Applicants for assistance under the Fund will be invited to put forward their proposals to the administering Board for consideration alongside the other contenders. Priority on a value for money basis will be given to:-

- the stimulation of private sector investment, in particular by means of venture capital arrangements using some of the resources of the fund;
- projects of benefit to people in both parts of Ireland, eg improved communications and greater co-operation in the economic, education and research fields;
- projects to improve the quality and conditions of life for people in areas facing serious economic and/or social problems. Spending will be carefully targeted to meet needs arising from factors such as high unemployment, under-developed social, health or education facilities, poor environment and sub-standard infrastructures;
- projects to provide wider horizons from both traditions in Ireland, including opportunities for industrial training and work experience overseas.