



DÍOSPÓIREACHTAÍ PARLAIMINTE
PARLIAMENTARY DEBATES

DÁIL ÉIREANN

TUAIRISC OIFIGIÚIL—*Neamhcheartaithe*
(OFFICIAL REPORT—*Unrevised*)

Dé Luain, 5 Nollaig 2011.

DÁIL ÉIREANN

Dé Luain, 5 Nollaig 2011.
Monday, 5 December 2011.

Chuaigh an Ceann Comhairle i gceannas ar 2.30 p.m.

Paidir.

Prayer.

Statements on Expenditure

An Ceann Comhairle: The Minister has reminded us that confidential information should not be removed from the Chamber until he has completed his contribution.

Minister for Public Expenditure and Reform (Deputy Brendan Howlin): Go raibh maith agat.

Introduction

As I begin, I would like to say that I am conscious that the last Minister who stood up here to announce the Government's spending plans was the late Deputy Brian Lenihan. I believe it is appropriate that his commitment to his country and the public interest should be acknowledged here today.

Tomorrow, the Minister for Finance, Deputy Michael Noonan, will deliver his first budget. Today, I am, on behalf of the Government, announcing the expenditure Estimates which will complement tomorrow's announcements. I would like to thank my parliamentary colleagues for facilitating this changed arrangement. The change is not simply about two Departments and two Ministers. Our budgetary process, as I will outline later, is about to change fundamentally. I would like to thank all of my colleagues in Government for their support during this process. This is a collective effort, with all members of the Government involved.

Economic and Fiscal Context

There is no hiding from the fact that, as a Government, we must take very difficult decisions, but these are decisions that we must take in the long-term and strategic interests of the State and its citizens.

We are going through a painful process of adjustment. Public anger is acute because the public was not responsible for putting us in the position we are in. Twelve months on from the arrival of the troika, we have seen some improvement. Our position has stabilised. Twelve months ago, we were Europe's problem. Now, problems in the European and global economy threaten our recovery. As a Labour Party Minister I never expected that I would be making the type of announcements I am making today. We have been forced to make difficult and unpalatable decisions, but we, as a Government, are committed to being honest and up-front with people in the hard choices that we must make.

We have a significant fiscal deficit which needs to be closed. This is understood by all. We are bound by our commitments to our international partners. They are our lenders of last resort. For now, we depend on them to pay our way. Our country has suffered the greatest

[Deputy Brendan Howlin.]

economic crisis in living memory, leading to a large fall in Exchequer revenues. Tax revenues fell from €47.25 billion in 2007 to €31.75 billion in 2010, a fall of one third in just three years. We are now rebuilding our revenue base, but we do not have the resources to fund all the services that we would like to provide.

The Structure of Spending

The Minister for Finance has published the medium-term fiscal statement, which sets out the contribution to our consolidation effort from the different elements of the budget: taxation and current and capital spending.

For 2012, we must implement a fiscal consolidation of €3.8 billion to deliver a deficit of 8.6% of GDP. Of the total adjustment, €2.2 billion, or just less than 60%, will be on the expenditure side of the account, with the remainder of the adjustment being implemented through revenue measures. Capital spending will contribute €755 million to the consolidation of expenditure in 2012. Despite the difficult budgetary parameters, the capital investment programme for 2012 to 2016 will amount to approximately €17 billion, including €3.9 billion next year. Day-to-day expenditure from the Exchequer will contribute about €1.4 billion to this consolidation, which is equivalent to 2.7 % of total current spending. As an indication of the Government's determination to alleviate the burden caused by measures announced today, this is €300 million less than provided for in the last Government's national recovery plan, despite the upward revision in our overall consolidation.

Spending Pressures

Over the period 2009 to 2012, nominal current voted spending will be down from its peak by almost 7%. These reductions are at a time when we are facing increased demand for public services and when there are strong spending pressures. In a recession, the Government is a spender of last resort. Our spending is by necessity greater than our income this year. Government cannot simply abandon people who are dependent, sometimes critically, on public services. This is an important point. Despite reductions in overall numbers of public servants and public spending, we are delivering considerably more financial supports and services to our people. It is a point frequently forgotten in public debate.

The pressures on our social welfare budget are enormous. The financial allocation for job-seekers' payments alone is now over three times the 2006 level. The demand for health services has also increased and the number of medical card holders has increased by a staggering 500,000 since 2007. In the education sector, demographic pressures mean that we need more teachers and class rooms to accommodate more children. This is unavoidable. The provision for State pensions has increased from €3.7 billion in 2007 to a projected outturn this year of €4.7 billion. We will need to continue to increase this financial allocation year-on-year due to our demographic profile. Next year an additional allocation of €175 million will be required. While acknowledging these pressures, Government spending must nevertheless fall next year and in each subsequent year to 2015.

Comprehensive Review of Expenditure

Today's expenditure announcements are driven by a comprehensive review of expenditure carried out by the Government in the past eight months. The review entailed root and branch analysis and assessment of all programmes of expenditure in an attempt to identify priorities for scarce resources in the years ahead. Everything was looked at and options for savings drawn up by all Departments and Ministers.

Today does not mark the end of the expenditure reviews, rather it is a first step. We must constantly and consistently monitor and review public expenditure. We cannot afford not to

do so. We have decided that a fresh CRE-type exercise should be conducted on a regular basis to reset the multi-year expenditure ceilings in line with emerging Government priorities and informed by new evaluations of which expenditure programmes are delivering real value for money. To this end, it is anticipated that the next CRE will be undertaken in 2013-14 to inform the next phase of fiscal planning. The Government has a shared determination to ensure taxpayers receive value for money for the investment they make in public services.

Of course, the fact that there was a detailed and careful review of options does not make the difficult choices any easier, given the structure of spending. Spending on social supports makes up 38% of current spending. Public service pay comprises 30% and public service pensions, 6%. All other programme expenditure makes up the rest.

From a sectoral perspective, the vast bulk of Government current expenditure is accounted for by health care, social protection and education. Together, these three Departments account for 80% plus of total current spending. We cannot make the savings we need to make without touching sensitive policy areas.

GUIDING PRINCIPLES

The expenditure decisions announced today reflect the need to prioritise. With this in mind, the difficult decisions made were based on three guiding principles: fairness, jobs and reform.

Fairness

We must ensure the burden of recovery is shared fairly and that the most vulnerable in society are protected as far as possible. We need to maintain social solidarity in the face of difficult times. My colleague, the Minister for Social Protection, recently referred to the challenge of social inclusion in an environment in which unemployment has increased, incomes have fallen and the revenue available to the Government to fund public services has decreased. Despite this, the Government remains committed to building a socially inclusive and fair society and we are determined to do our utmost to protect the most vulnerable in society.

Jobs

Central to all this is jobs. We need to keep people working and get others back to work. Budget 2012 will make further inroads to dismantling barriers to employment, complementing progress on reorienting labour market activation and training policy. The Government recently committed to deliver a multi-annual action plan for jobs with quarterly targets for delivery every year and a monitoring group to oversee implementation. The action plan for jobs will address seven principal areas: improving competitiveness and intensifying competition in sheltered sectors, supporting indigenous start-ups, assisting indigenous business to grow, attracting inward entrepreneurial start-ups, developing and deepening the impact of foreign direct investment, developing employment initiatives within the community and exploiting sectoral opportunities identified as priorities we can grow.

The Government will shortly publish a policy statement on labour market activation called Pathways to Work, in which we will set out our strategy to reform labour market activation policy to prevent the drift into, and help the reduction of, long-term unemployment. During 2012 we will prioritise places, including in the further education and training sector, specifically for those on the live register for 12 months or more. We will also provide for a further roll-out of the Springboard initiative to provide conversion courses to upskill and reskill unemployed people to meet skills shortages in new and emerging sectors.

I am also providing for an allocation of €20 million for a new labour market activation fund. This fund which will be specifically targeted at the long-term unemployed will deliver upwards of 6,500 places next year.

[Deputy Brendan Howlin.]

Reform

Reforming how government works to reduce costs and protect front-line services is also one of the Government's guiding principles. The Government's agenda is reform. We have already reduced the pay of the Taoiseach and Ministers, reduced allowances and secretarial supports for former taoisigh, reformed ministerial transport arrangements, changed pay and conditions for senior public servants, reduced the number of Oireachtas committees, cut the overall cost of special advisers to Ministers——

(Interruptions).

Deputy Brendan Howlin: ——taken measures to significantly reduce future public service pensions costs, produced a significant programme of agency rationalisation, cancelled many parts of the ill-conceived decentralisation programme, standardised annual leave arrangements for serving and new public servants and launched the most ambitious programme of public service reform since the foundation of the State to improve customer service and reduce costs. We are also pushing ahead with reforms of other areas of the public service, including in the Oireachtas, and insisting on greater openness, transparency and accountability, underpinned by legislative change, where necessary.

PUBLIC SERVICE PAY AND NUMBERS

Today I am announcing that the public service pay bill will fall by €400 million next year. By the end of this year the numbers employed in the public service will be below 300,000. Next year the Government plans to reduce the size of the public service by a further 6,000.

By any standards, the reduction of 37,500, or 12% of staff, against 2008 levels, by 2015 represents significant reform and poses enormous challenges. Reform of everything we do is required to deliver adequate services as we reduce that vast quantum of numbers. Proactive workforce planning is also essential to respond to these reduced numbers and ensure the right people with the right skills set are in the right place. To this end, I am pleased to announce that there will be some limited recruitment to the public service next year. Critically, I want to move towards more targeted recruitment across a range of disciplines to enhance the skills and expertise available to policymakers in the coming years. Through reduced numbers, the pay cuts applied in 2010 and the ongoing pension-related deduction, the overall cost of paying public servants will have fallen by €3.5 billion, or 20%, in the seven year period from 2008 to 2015.

In discussing public service pay it is important to acknowledge that public servants have already seen significant reductions in their pay. The impact of the pay reduction on the gross pay of public servants was progressive and ranged from almost 9% at clerical officer level to more than 23% at Secretary General level. On a similar basis, a teacher would have incurred a reduction of 12%, a staff nurse, 10.5%, and a garda, 11%, while a middle ranking public servant at higher executive officer level would have sustained a reduction of 12.3%. Of course, these figures do not include the various tax changes advanced across the board in recent years.

That said, the Croke Park agreement simply has to deliver. We have made a good start, but we have a way to travel yet. I expect all public service bodies to address inefficiencies in their systems and achieve additional cost savings through the introduction of new working arrangements, including new rosters, where applicable. Next year public service bodies will have to achieve savings in overtime of 10% and allowances and premium payments of 5%. My Department will lead a review of allowances and premium payments across the public service in consultation with all Departments next year.

I can also now announce plans to overhaul public service paid sick leave arrangements. Discussions between my officials and the unions will commence shortly in that regard.

PUBLIC SERVICE PENSIONS

We have been reducing public service pension levels. These are very significant measures, the nature and scale of which need to be fully appreciated. In September I published legislation to introduce a new single public service pension scheme for new entrants to the service. It is estimated that, by the middle years of the century, annual spending on public service pensions will be approximately €5 billion per annum in 2010 terms, if no action is taken. The new single scheme will reduce that annual expenditure by about 35% or €1.8 billion. No further cuts for ordinary public service pensioners are proposed.

Key Current Spending Decisions

Details of all spending decisions taken by the Government are included in pages 21 to 88 of the spending report. The detailed Estimates are also published. The relevant Ministers will provide later today details of all such savings. In this announcement I propose to set out some of the key savings measures.

Social Protection

We have a duty to protect the most vulnerable in our society and to provide the safety net of social protection in what are very extraordinary times. We must also get people back to work and I have already set out some of our plans in that regard. The Minister, Deputy Noonan, will discuss a range of other proposals tomorrow.

The sharp reality that our Government is facing is that the level of social welfare expenditure now in place cannot be sustained from the funding base now available. As unpalatable as it might be, we must make some difficult choices in order to contribute to the reduction of the budget deficit. Notwithstanding this, I can confirm today that the Government has decided not to reduce any weekly rate of social welfare payments and to protect the universal child payment at a standard rate.

We will endeavour to make savings from a range of measures. We will save €475 million in the social protection area next year. This is €190 million less than set out in last year's national recovery plan. Over two years, we will standardise the rates of payments of child benefit for all children. This will save €43 million next year. We have decided to base the payment week for jobseekers' benefit on a five-day week rather than the existing six-day week basis. This will save €5.9 million next year. From January 2013, employment on a Sunday will be taken into account when determining the level of entitlement to jobseekers' payments. The Government has decided to reduce the fuel season from 32 to 26 weeks. This will save €51 million—

(Interruptions).

Deputy Micheál Martin: Part of the climate change strategy.

Deputy Brendan Howlin: Going from 32 weeks to six months will save €51 million next year. Changes to the one-parent family payment will save €20.7 million. Changes to the redundancy and insolvency scheme to reduce the employer rebate from 60% to 15% will save €81 million.

Deputy Michael McGrath: Great for jobs.

Deputy Brendan Howlin: Increasing minimum contributions and reviewing rent limits will yield savings of €55 million in rent supplement. Changes to the current system of concurrent payments will save €21.8 million in 2012.

[Deputy Brendan Howlin.]

Full details of the specific social welfare measures are set out in the expenditure report along with a number of other changes to social welfare schemes and entitlements. My colleague, the Minister for Social Protection, will expand on these measures later.

Health

Expenditure on the health budget will be 26% of current expenditure and the sector comprises around one third of all public service employment. The scale of the resources being invested means the sector must continue to make a significant contribution to closing the deficit.

At the same time, the Government is very aware of the fact that the ageing population is already placing demands on essential health and personal social services. We will be using the reform programme to address these demands within the limited resources we have available. One of the main aims of the comprehensive review of expenditure for health was to reduce as far as possible the negative impacts on essential front line services of the savings required to meet the budgetary targets and to facilitate real reform of health services so that we can improve the quality and quantity of services in the medium to longer term.

I am allocating €13.644 billion for health in 2012. This will allow the health care system to meet the demands placed on it and, in particular, accommodate the continued growth in demand-led schemes such as medical cards and long-term care. As part of this, I am allocating an additional €50 million to fund implementation of the programme for Government commitments on mental health and access to GP care. Some €35 million of this is being made available for the development of community mental health teams and services as outlined in *A Vision for Change*. Some €15 million will fund access to primary care without fees to claimants of free drugs under the long-term illness scheme.

This is the first step towards the Government's objective of introducing major reforms to the health system. We must reduce our cost base and increase efficiencies to enable health service provision that delivers its essential services effectively, professionally and compassionately. We must strive to make savings that do not impact on front line services. Today, I am announcing a total of €543 million in net savings in the health area that, in addition to reducing our deficit, will be used to meet unavoidable pressures in health as well as the extension of key services in some areas. We will reduce numbers and contain pay costs to save €145 million; introduce measures to reduce the price of drugs, such as reference pricing and generic drugs, and reduce fees for services to save a further €112 million; increase the monthly threshold from €120 to €132 under the drug payment scheme to save €12 million; ensure efficiencies in procurement by active management and control of both price and volume of usage, which will save €50 million; improve the generation and collection of private income in public hospitals to save €143 million; and secure 2% efficiencies in disability, mental health and children's services, saving €50 million. Details are set out in the expenditure report and the Minister for Health will provide further details later.

Education

Education expenditure, including the National Training Fund, NTF, will comprise around 17%, or €8.604 billion, of all current expenditure next year and will continue to be a priority for the Government. At a time of resource constraints, we must invest in education and training and prioritise those programmes that deliver the best results and meet the requirements of children, parents, the disadvantaged and the labour force.

We will continue to provide a full programme of training and further education through SOLAS, the VECs and other educational bodies. These programmes will be actively focused on helping the unemployed return to the labour force. We will continue to make substantial

provision for children with special needs in terms of resource teachers and special needs assistants.

We have had to make the difficult decision to increase student contributions in order to protect the higher education sector from what would otherwise have been greater cuts.

Deputy Micheál Martin: Great commitment there.

Deputy Brendan Howlin: While we have had to make savings by abolishing student support for some new postgraduate students, we will make a contribution towards the fees of postgraduate students from the lowest income backgrounds. Substantial allocations will also continue to be made to assist students from lower income backgrounds to achieve an undergraduate qualification.

The Department of Education and Skills will continue the drive to reduce administration costs by proactively pushing rationalisation, efficiencies and economies in budgets, including the rationalisation as already announced of VECs, the optimal configuration of school provision, reviewing allowances, the establishment of a single awarding authority for student grants and the merger of various educational bodies.

The measures in the education area that I am announcing today will save €132.3 million in 2012. This will allow the necessary expenditure targets to be met, but will also provide the Minister for Education and Skills with the necessary resources to pursue important policy initiatives such as junior certificate reform and implementation of the literacy and numeracy strategy. The 2012 savings measures include a requirement for post-primary schools to manage guidance provision from within their existing pupil-teacher ratio allocations, which will save €10.4 million; a reduction in capitation grants to schools by 2% will make savings of €7 million; a phased withdrawal from 2012 of supports in some schools from earlier disadvantage schemes predating the current DEIS schemes, which will save €6.5 million;—

Deputy Mattie McGrath: Shame.

Deputy Micheál Martin: Disgraceful.

Deputy Brendan Howlin:—a reduction of costs associated with trainee and apprenticeship schemes, which will yield €19.2 million; a 2% reduction in core funding for higher education, which will secure savings of €23.6 million; an increase of €250 in the third level student contribution, which will secure savings of €18.5 million next year;—

Deputy Mattie McGrath: What about the promise?

Deputy Brendan Howlin:—and changes to fee and maintenance supports for new postgraduate students and reducing maintenance grants generally, which will deliver savings of €12.6 million.

Other Areas

These three key areas — social protection, health and education — contain measures that will yield savings of over €1 billion in 2012.

Deputy Gerry Adams: Shame.

Deputy Brendan Howlin: Most other Departments will also experience reductions and the details are set out in the expenditure report. Selected measures include those taken in the Department of Agriculture, Food and the Marine amounting to savings of €105 million; the Department of Transport, Tourism and Sport amounting to €45 million; and the Department

[Deputy Brendan Howlin.]

of the Environment, Community and Local Government amounting to €34 million. Of course, other Departments, as Deputies will see in their Estimates booklets, are making a contribution to lower spending.

Overall Spending Ceiling

These measures are significant. Taking account of offsetting spending pressures, the Government's decisions will reduce public spending to €55.8 billion in 2012 compared with €57.7 billion in 2011. As part of a new approach to budgeting, I am setting out the overall expenditure envelope for each year to 2014, with spending ceilings of just under €54 billion for 2013 and just under €52 billion for 2014. Full details of the allocations for each Department are set out in Part 2 of the expenditure report.

Correcting our public finances inevitably involves very difficult decisions for the Government but this year's comprehensive review of expenditure has not just been about identifying cut-backs. There is a much more fundamental problem that we are now tackling. Ireland's traditional system of budgeting no longer works for us. The old budgeting system we inherited from our past is secretive and opaque. It has not led to sustainable spending policies, proper value for money or good outcomes for our citizens. Under our programme, the Government is committed to bringing about a major transformation of Ireland's old-fashioned budget system. The key elements of the reform agenda have been outlined in the plan for public service reform that I announced on 17 November. In the comprehensive expenditure report I am presenting to the Dáil and to the public, I am pleased to announce that these expenditure reform measures are being implemented across all fronts.

In brief, the main features of the new budgetary architecture are as follows. First, the Government will plan for sustainable public expenditure. The Government's spending plans, along with its tax plans, are anchored in a clear vision of how the public finances will be managed over the coming years. A sustainable expenditure plan will build confidence, at home and abroad, about our commitment to deliver our public services in a reasonable and achievable way.

Second, we will introduce a modern, multi-annual expenditure framework. The annual Estimates campaign that we have heard about for years, conducted privately within the system of public administration, will be replaced next year by a medium-term framework with transparency about the allocations available to each Department over a three-year period. This will open the way for proper structural planning based on priorities and reform, with full public input and Dáil oversight.

Third, we will introduce evidence-based expenditure policy. In a time when resources are exceedingly scarce, old expenditure lines are no longer sacrosanct and all areas of spending must be subject to rigorous scrutiny. As part of this year's comprehensive review, all areas of spending have been examined. The momentum from this process must be maintained. A tough, clear, new value for money code is also being launched today, to redouble the processes for ongoing scrutiny and evaluation across the entire Irish public service.

Fourth, we will build performance information into the annual Estimates. This year, for the first time, most departmental Estimates will be presented in a new format, so that performance information can be scrutinised by Dáil committees at the same time as public money is being requested. It is not just about the money but what the Government does with the money. We will be able to evaluate that.

Deputy Mattie McGrath: What about the Taoiseach's adviser?

Deputy Brendan Howlin: Fifth, we will enhance the role of the Oireachtas for those in the Oireachtas who want to engage constructively in this process. All of these reforms support Oireachtas Members, as representatives of the public, in holding Government to account. The Government is also moving to a new whole of year budgetary timetable to allow for Dáil committees to engage earlier and more fully on Estimates allocations before they are settled in each year.

This Government is, in effect, a national Government containing the two largest parties in the State. It provides the stability necessary to plan and work our way out of this crisis. It will not be easy and we will not resolve our problems overnight. No Government, whatever its numbers, wants to be the bearer of bad news but our options are extremely limited. The public knows this. It is wary of those who offer simplistic options.

Deputy Timmy Dooley: It is only now that they have figured out that one.

Deputy Brendan Howlin: We are at the start of a reform process. Today and tomorrow are significant days in that process but our work is ongoing. Our resources are now more scarce but we have choices.

Deputy Mattie McGrath: Labour's way or Frankfurt's way.

Deputy Seamus Healy: By taxing the billionaires, the Government will have plenty choices.

Deputy Brendan Howlin: This Government is choosing to divert those scarce resources, albeit not at levels we previously enjoyed, to the areas of the economy and society where they are most needed. Today, despite the tough decisions we have had to take, we have been able to maintain core social welfare payments, including jobseeker's allowance and State pensions. We have maintained the family income supplement, carers' entitlements and disability allowances, our support for special needs assistants in our schools and the pupil-teacher ratio in the primary sector.

Tomorrow my colleague, the Minister for Finance, will announce his first budget. This should be viewed in conjunction with the measures I have outlined today. As a country we have already endured four years of hardship yet we remain an innovative and creative people. Faced with a more benign European economy and with clear and determined leadership, this nation will prosper again.

Deputy Finian McGrath: There were no cheers.

An Ceann Comhairle: I call Deputy Seán Fleming.

Deputy Bernard J. Durkan: Do the Opposition Members remember when they were over here? This is what one gets from previous standing ovations.

Deputy Frank Feighan: Deputy Mattie McGrath walked away, he was a coward.

An Ceann Comhairle: I ask for silence. Thank you.

Deputy Sean Fleming: It is fitting that the Minister for Social Protection has walked out from the Chamber. That says it all, she does not want to hear constructive views from the Opposition or members of the public who sat here patiently and quietly and listened to the masked language, camouflaging the cuts that will dribble out over the coming weeks and months. I understand that the Minister is unable to face the music and chose to leave the Chamber immediately.

Deputy Aodhán Ó Ríordáin: She has a briefing at 3.15 p.m.

Deputy Sean Fleming: Regarding the statement on expenditure, the overall consolidation to be achieved in this budgetary process is well accepted by most people and is supported by Fianna Fáil. This is the first opportunity for the new Fine Gael-Labour Party Government to outline its priorities and plans for the future. We agree with some of the choices but there are a number of individual decisions announced today that are simply unfair and unjust. These decisions will impact harshly on some people but the Government has been careful to protect some of its well-paid friends and cronies.

Deputy Ray Butler: Deputy Fleming helped them along.

Deputy Derek Keating: Deputy Fleming's party invented cronyism.

An Ceann Comhairle: There is a time limit of 30 minutes and I ask Members to allow the speaker to speak. The Minister was afforded silence and I expect every other speaker to be afforded the same silence.

Deputy Sean Fleming: The Taoiseach has ensured a 35% salary increase for one of his friends. More to the point, on Tuesday last week in the Dáil, the Government parties voted down proposals to cut the excessive pay rates of chief executives of a number of semi-State companies. Each Member on the Government side voted against a range of measures to cut highly-paid public servants earning more than €200,000 per year.

Deputy Emmet Stagg: Who gave them the high pay?

Deputy Arthur Spring: The last Government gave them the pay and now Deputy Fleming wants us to take it away.

Deputy Emmet Stagg: Deputy Fleming is acting hypocritically.

Deputy Sean Fleming: There is no hypocrisy. We accept the consolidation of €3.8 billion to be achieved between today and tomorrow. We accept the expenditure reduction of €2.2 billion and we expect an announcement tomorrow of tax increases of €1.6 billion. We support the overall figure and we agree with the budget deficit targets of 8.6% for 2012 and 3% deficit in 2015. However, individual measures such as voting down proposals on public servants earning more than €200,000 per year are not good enough when the Government is cutting the fuel allowance for people over this cold winter to pay for their friends in high places. That is the Government's choice and it has made these decisions.

Deputy Mattie McGrath: They are burning the poor.

Deputy Sean Fleming: I welcome the new approach of announcing the expenditure plans here today. The booklet circulated to Members contains 200 pages and in previous budgets that would have been an annex to the main taxation measures. We all know that for this year, next year and subsequent years the main financial consolidation had to happen on the expenditure side as opposed to on the taxation side and that is generally agreed by the majority of people inside and outside this House. That is why it is important to have a detailed examination of the expenditure proposals which will hit every household. We support the approach of coming in here today to deal with expenditure so that people know how they will be affected by health, education and social welfare changes. On 23 June we discussed this and said it was probably the right way to go. Making today's announcement shows we are serious about expenditure control. I welcome the new approach and the emphasis on expenditure issues. We look forward to the day when there will be some expenditure increases. I will come to expenditure increases in a minute because, believe it or not, within that 210-page document the Minister

has slipped in a few sly little expenditure increases again for the Government's friends and cronies.

I am glad the Government is accepting that within the overall parameters it can make individual choices. Most of the Opposition parties met the EU-IMF delegation when it was here during the summer and the autumn. Mr. Ajai Chopra made it very clear to everybody that—

Deputy Arthur Spring: Fianna Fáil was responsible.

Deputy Sean Fleming: —he will not get hung up on individual choices once they are within the overall budgetary framework and meet the target. He left here in the middle of October after the September review and did not intend coming back until next year because he was satisfied. Once the Government assures him that it will stay within the figures he does not mind what changes it makes. However, the people mind about the changes it makes because they affect them.

The Taoiseach is right in saying that the people are not responsible for everything that happened here.

Deputies: Fianna Fáil is.

(Interruptions).

Deputy Bernard J. Durkan: Why did the IMF have to come here in the first place?

Deputy Sean Fleming: They are being made to carry the can for some of these decisions. In the past two weeks the Government announced the capital expenditure programme, which resulted in a reduction of €750 million in capital expenditure. As the Minister knows that €750 million cut will directly lead to 9,000 people who are in work today not having projects to move on to next year and they will lose their jobs. I know the Minister has a funny way of looking at it by suggesting that we did not spend the money next year, so they did not have the jobs and therefore will not lose jobs. They are in work today on projects and will have no projects to move on to next year as a result of the Government's cuts.

Most people accept that in recent years there has been considerable improvement in infrastructure, but health and education should be the priority. However, in the capital expenditure programme for the next five years, health is getting only 11% and education is only getting 13%. The Government is giving a very limited amount to health and education, where extra money should be spent. We all know the issue of health and the nursing homes the Minister wants to close.

Deputy Robert Dowds: If Fianna Fáil had not given us the property bubble we would be able to do more.

Deputy Sean Fleming: By just increasing the capital expenditure on health areas, it could bring all those nursing homes up to HIQA standard and it would not be necessary to close the ones proposed to be closed.

One of the Minister's roles is to deal with public sector reform. Last week we discussed his document on the subject at a committee meeting. I said it was the weakest document he had produced — he has produced some good documents, some of which I agree with and some with which I disagree. This was a very poorly produced document.

Deputy James Bannon: The Deputy would know.

Deputy Sean Fleming: The essence of it is that the Taoiseach announced last night that there will be 37,000 fewer people working in the public service by 2015 — 23,000 extra from today. That is higher than the figure the Minister announced during the general election campaign, but clearly he lost that battle in Government. I accept that is the way compromise goes.

The Minister also mentioned a list of quangos to be eliminated as if he is doing something new. That is the list of bodies that were on their way out already. The emphasis should now be on implementing the Croke Park agreement to ensure it produces specific reforms. The next interim report must contain more specifics of cost savings on a Department-by-Department basis. The first annual report had no such figures and the document was lacking in that regard.

I was amazed at the Minister's public sector reform plan which I criticised on the basis that it is all geared to the appointment of a new layer of middle management in the public service. That is his definition of public service reform — I am reading the Minister's words from his document. He wants to appoint a programme director for the new reform and delivery service office. He wants to appoint a senior official responsible owner for overall delivery of cross-cutting measures.

Deputy Brendan Howlin: The Deputy wanted them.

Deputy Sean Fleming: He wants to establish a public service chief information officer, a shared-services transformation manager in the reform and delivery office, appoint a payroll shared services manager, an officer responsible for business plans, a pensions shared services project manager——

Deputy Micheál Martin: All internal quangos.

Deputy Michael McGrath: Job creation.

Deputy Sean Fleming: —— a project manager in the Civil Service human resources shared services centre, a senior responsible officer to provide leadership to overall procurement in the public sector reform and a head of commercial delivery within the Department of Public Expenditure and Reform. He wants to set up an implementation steering group——

Deputy Mattie McGrath: Jobs for the boys.

Deputy Sean Fleming: —— to plan, monitor and evaluate the basic payments account plan. That is why I criticised the Minister's document. On that issue, I accept what he is saying about the expenditure cuts. However, on that issue, I have never seen a Minister captured so quickly by his senior civil servants that he could put his name to a document with all that Civil Service gobbledegook.

Deputy Brendan Howlin: Deputy Donnelly explained it on the day.

Deputy Sean Fleming: That is the Minister's solution to public sector reform. Nobody else would regard all these internal quangos as public sector reform.

Jobs have been identified as a target area by the Minister for Public Expenditure and Reform, the Taoiseach and the Minister for Finance. Since the Government came into office unemployment has increased by 10,000.

A Deputy: It was more than 400,000 when the Deputy's shower was in.

Deputy Sean Fleming: Those are the job cuts under this Government. I have already mentioned the 9,000 jobs to be lost following its capital expenditure plan and the 23,000 public service jobs it will shed between now and 2015. They are anti-jobs.

Deputy Aodhán Ó Ríordáin: When Fianna Fáil was in the job, it put half the country on the dole.

Deputy Sean Fleming: The only announcement about jobs the Government is making is the announcement of job cuts. In fairness, the Taoiseach said last night that if everybody waits until 2015 we might have a few more jobs in four or five years' time. That was the essence of the jobs proposal. The Government's policy seems to be to cut jobs now and maybe in five years' time it might get some of them back.

Deputy Aodhán Ó Ríordáin: How many jobs did Fianna Fáil cut?

Deputy Sean Fleming: We published our alternative budget last week and it is on the public record for everyone to see.

One item the Minister lightly skipped over — it affects the Minister for Communications, Energy and Natural Resources, Deputy Rabbitte in particular — is the privatisation or part-privatisation of the ESB and all essential State services — EirGrid, Bord Gáis Éireann, Coillte and Bord na Móna. That is an issue that will be dealt with. The Minister knows that when any shareholder — even a minority shareholder — is introduced into any of these essential services, it changes the public service mandate of those companies.

Deputy Jack Wall: Like the Irish Sugar Company.

Deputy Sean Fleming: It is exactly like the Irish Sugar Company that no longer exists.

(Interruptions).

An Ceann Comhairle: Thank you, Deputies.

Deputy Sean Fleming: The Deputy has proved the point, which is that some mistakes were made in the past but it is important to learn from them.

(Interruptions).

Deputy Sean Fleming: A major issue highlighted in the Minister's speech is that of fairness. This is where this budget has failed. The Government has failed on jobs. There are no new jobs in the budget. The Government will recycle the micro-financing it has been discussing for 12 months and people will be waiting. I will give an example of the fairness shown by the Labour and Fine Gael Government. Last week we made a proposal for the chief executive of the ESB who is earning more than €400,000, the chief executive of An Post who is currently earning €328,000——

Deputy Mattie McGrath: The Government is closing post offices.

Deputy Sean Fleming: —— and the chief executive of the Dublin Airport Authority who is currently on €297,000——

Deputy Arthur Spring: Who gave him that?

Deputy Sean Fleming: —— to reduce their salaries.

(Interruptions).

Deputy Sean Fleming: The Government voted down the motion to reduce their salaries. The Minister, Deputy Quinn, when he gave an answer in the Dáil earlier this month----

(Interruptions).

An Ceann Comhairle: Would Deputies please show some respect?

Deputy Timmy Dooley: The Deputies opposite should have made a speech at their party meetings when they had a chance to change it.

Deputy Sean Fleming: The Minister for Education and Skills stated in a reply in the House early last month that 99 people in our third level institutions earn more than €200,000 per annum.

A Deputy: Who gave it to them?

Deputy Sean Fleming: The Government's response is to increase student fees by 50% to pay for those salaries. Last week, the Government voted against——

Deputy Micheál Martin: It said it would not increase fees.

Deputy Sean Fleming: The Government said it would not do that. The parties in Government won the general election by deceiving the students of Ireland and their parents. It has now told them to return in 2015 and there might be a job for them. That is this Government's solution. The Government voted against a proposal to cut those salaries.

Deputy Bernard J. Durkan: Deputy Fleming is suffering from a loss of memory.

Deputy Sean Fleming: In the health area, a number of medical consultants are also earning more than €200,000 per annum. I do not know what influence the Minister for Health, Deputy Reilly, has over the Government but he has been able to have the salaries of medical consultants exempted from examination in terms of the overall pay strategy for public servants. They have been excluded from the process. As I stated earlier, the Minister, Deputy Reilly, is looking after his friends in the medical profession just as is the Government here today.

Deputy Mattie McGrath: And their sick pay.

Deputy Bernard J. Durkan: Deputy McGrath should stick to——

Deputy James Bannon: He did not give back the €30,000 yet.

Deputy Sean Fleming: Another area on which I want to comment is that of legal fees. I am aware those in this sector also have friends in Cabinet. The States Claims Agency, to which the Minister did not refer today, has outstanding liabilities of €900 million. It has stated that it will pay €450 million, 50%, extra in legal fees dealing with those claims. Yet there is no proposal to cut legal fees. The Government is again looking after its friends in high places.

I want now to contrast some of the cutbacks announced today with specific increases——

A Deputy: The Deputy has lost his place in the notes.

Deputy Kieran O'Donnell: His filing system is poor.

Deputy Sean Fleming: The Taoiseach, whom I watched intently on television last night, should go on television again tonight to explain the following.

(Interruptions).

Deputy Finian McGrath: I hope Deputy Fleming will watch “Kris Kringle” tonight.

Deputy Sean Fleming: When the Taoiseach’s script writers met with him last week they scripted a speech with the message that we are all in this together and that the Government was going to be fair. However, they had hardly left the room when the Taoiseach approved an 18% increase in travel and subsistence for senior officials of his Department. Staff in the Taoiseach’s Office have had their travel and subsistence allowance increased from €275,000 to €325,000. I know what happened when the script writers left the room. The Taoiseach took a clear view on this matter and decided to go for spin over substance.

Deputy Tom Hayes: Deputy Fleming should read it again.

Deputy Sean Fleming: We had spin last night and the substance is coming out today. Also, contract legal services for the Attorney General’s Office, which comes under the remit of the Taoiseach, are to be increased to €668,925, a 38% increase. There are a few more increases I would like to mention.

Deputy Arthur Spring: Deputy Fleming should speak about the billions, not thousands, of euro Fianna Fáil left behind in the hole.

Deputy Sean Fleming: At a time when the Minister for Finance is asking everyone else to take a cut, he has increased salaries in his Department from €17.8 billion to €20.5 billion, an increase of 15%.

Deputy Michael Noonan: That relates to the European Presidency.

Deputy Sean Fleming: Travel expenses for his staff are also to be increased by a whopping 34%. Tell that to people whose fuel allowance is being cut.

Deputy Arthur Spring: Is this a confession?

Deputy Sean Fleming: The Minister, Deputy Howlin, is increasing consultancy charges in his Department by 43%.

Deputy Mattie McGrath: For God’s sake.

Deputy Sean Fleming: He is also increasing his Department’s office expenses by 27% and there is an increase of 11% for retired civil servants. The Office of Public Works, which comes within the remit of the Minister, Deputy Howlin, is increasing its office expenditure by 8%. Yet, everyone else is to take a cut. How does the Government reconcile these increases with fairness for the public? The Minister for Justice and Equality has increased travel and subsistence expenses in his Department by 6%, yet everyone else is expected to take a cut.

Deputy Mattie McGrath: Close the Garda stations.

Deputy Sean Fleming: The equality, integration and disability service at that Department has been also cut by 15%, from €19.7 million to €16.8 million. Will the Minister for Social Protection, Deputy Burton, who left the Chamber a few minutes ago, explain to those on whom she proposes to impose cuts the reason she has increased office expenditure in her Department by

[Deputy Sean Fleming.]

23%, from €11.9 million to €14.7 million? Is that this Government's idea of fairness? It is not mine. The disability allowance for young people between 16 and 18 years has been cut, a nasty thing to do.

The Minister, Deputy Howlin, referred to equalisation of child benefit rates. What does the Minister for Finance, Deputy Noonan, have against third children? The Minister is proposing a cut in child benefit for third and subsequent children.

(Interruptions).

Deputy Sean Fleming: This is a cut in the rates. The child benefit rate of €140 in respect of the first and second child is not to be cut but the rate in respect of the third and fourth child in respect of whom €166 and €176, respectively, is paid is to be cut. This is a cut of more than €1,000 per annum or €100 per week for a family with five or six children.

Deputy Arthur Spring: No, it is not. That is bad mathematics. It is wrong.

Deputy Timmy Dooley: The Deputy is correct; this cut is wrong.

Deputy Sean Fleming: The Government said this was a red line issue.

(Interruptions).

Deputy Sean Fleming: A Cheann Comhairle——

An Ceann Comhairle: Deputy Fleming is bringing much of the interruption on himself.

Deputy Bernard J. Durkan: No way.

An Ceann Comhairle: I ask the Deputy not to respond to interruptions.

Deputy Timmy Dooley: The people of Ireland did not bring this on themselves.

An Ceann Comhairle: Do not respond.

Deputy Sean Fleming: A Cheann Comhairle, I am cutting——

An Ceann Comhairle: The Deputy should not respond to the jibes. That is all I am saying. Keep going. The Deputy's time has almost expired.

Deputy Michael McGrath: We know the Ceann Comhairle does not like having an Opposition but we have one.

Deputy Sean Fleming: It is stated on page 29 of the document "...phase out entitlements to higher rates for the third and subsequent child over the next two years...", from which €70.7 million per annum will be saved.

Deputy Micheál Martin: It is a cut.

Deputy Sean Fleming: That means the Government is cutting the rate of child benefit.

Deputy Micheál Martin: Hear, hear.

Deputy Sean Fleming: What aspect of that does the Minister, Deputy Howlin, not understand? Child benefit rates are being cut while expenditure in the Minister's office is being increased.

(Interruptions).

Deputy Dominic Hannigan: Correct the record. Get the Deputy an abacus.

Deputy Sean Fleming: The fuel allowance is also being cut. What are people to do during cold weather in September or April? Are they to freeze for an extra two months? That is a nasty thing to do. Old people should be treated with kindness and respect. They are the people who brought all of us into this world.

An Ceann Comhairle: I ask Members to be quiet.

Deputy Sean Fleming: This Government is being mean and nasty to elderly people. It is hitting the old by cutting their fuel allowances and it is hitting families with young children by way of cutting rates for third and fourth children at the same time as it is looking after its friends in terms of extra travel expenses and so on.

Deputy Finian McGrath: Shame.

Deputy Sean Fleming: Another shocking measure is the change to the redundancy insolvency scheme to reduce the employer rebate from 60% to 15%. The Government is practically eliminating that measure. The Minister did not say when that will come into effect.

(Interruptions).

Deputy Sean Fleming: The Minister has introduced a scheme to incentivise employers to make people redundant before these new rates come into force.

Deputy Ciara Conway: What about the 650 people left on the dole?

(Interruptions).

Deputy Sean Fleming: When these new rates come into effect it will be more expensive for an employer to make a person redundant.

Deputy Colm Keaveney: Tell that to Irish workers.

Deputy Sean Fleming: This is saying to employers with two or three employees who are hanging on by their fingertips hoping to get over Christmas that it is more effective for them to make those employees redundant now. To include that in a Budget Statement is a disgrace.

Deputy Ciara Conway: It is better to keep them on.

Deputy Sean Fleming: On student contributions, why must students pay for the salaries of the 99 people in the third level institutions earning more than €200,000? School capitation grants are being reduced by 2%. This will result in parents having to take to the streets to collect money to keep their children in school. Postgraduate maintenance support is also being abolished. It is to be phased out. This will affect people wishing to reskill in order to get back to work. Many people need that maintenance grant if they are to complete their postgraduate degrees.

The Minister must also help in this regard.

[Deputy Sean Fleming.]

In respect of health, the Minister has increased the charges pertaining to the drugs refund scheme, as people will be obliged to pay an additional €12 per month. Again, this is small beans to the Minister, amounting to an additional €150 per annum, but this measure genuinely is unfair. From the Minister's perspective, a positive point is that his spin-doctors won, in that the cuts are not that obvious until one reads the small print and the Minister has been very clever in ensuring it will be difficult to see them immediately. In respect of social welfare, I note the Minister also intends to hit the qualified child allowance. He also effectively will cut jobseeker's benefit by changing the basis to a five-day week and is making it harder for 16-year olds who have a disability to get their benefits.

Deputy Brendan Howlin: What are the cuts the Deputy supports?

Deputy Sean Fleming: As for the additional charges, the Minister intends to make matters more difficult. At the end of each month, some families which are coming close to the €120 threshold for paying for private medicines will skip going to the chemist for antibiotics for their sick children. This is the type of society the Minister is making. He is making it harder for people to buy medicine and it is not necessary to do that.

Deputy Kevin Humphreys: It is because Fianna Fáil bankrupted the country.

Deputy Sean Fleming: I note the Minister's statement included a few sentences about generic drugs and how the Government will secure lower prices from those concerned. However, everything the Minister has announced today is predicated on a growth rate of 1.6% for next year. This is well and good and all Members hope this will happen. However, if it does not, it will make some of the Minister's announcements appear very shallow.

The Minister has introduced a number of swingeing cuts but the biggest cut he has made today is a cut in employment.

Deputy Timmy Dooley: Yes.

Deputy Sean Fleming: I refer to several announcements. For example, the changes relating to the redundancy scheme will force employers to make people redundant tonight——

Deputy Brendan Howlin: Rubbish.

Deputy Sean Fleming: ——before the new rates come in, in order that they can claim back the payments.

Deputy Dan Neville: That is wrong.

Deputy Sean Fleming: The Minister is cutting public sector numbers and the capital expenditure programme. This announcement does not contain a single initiative to create jobs next month, next week or next year.

Deputy Brendan Howlin: The Deputy did not listen to the speech.

Deputy Sean Fleming: When taken in conjunction with the VAT increases the Government will announce tomorrow, everything it is doing is cutting jobs. While I understand the Government is obliged to make savings, the biggest loser should not be the 450,000 people in receipt of unemployment benefit. The Minister's statement contains nothing about trying to get these people back onto proper working education and training schemes, except in respect of the cuts the Minister has introduced in these areas, such as the aforementioned measures pertaining to

postgraduates. The Minister should have used this opportunity to deal with the issue concerning FÁS, which now is to be abolished, and the 40,000 people who were asked to show up for an interview for job placement but who did not show up. This year, 40,000 people did this under the Minister's watch but he has taken no action in this regard.

Deputy Brendan Howlin: It is being dealt with.

Deputy Sean Fleming: Fianna Fáil proposes that FÁS staff must be sent to the Department of Social Protection. FÁS should be closed down at the beginning of next year and its staff should be merged into the Department of Social Protection. This would enable people to go into a benefits and jobs office. In this scenario, the first thing someone who loses his or her job will do is to go to the jobs office to see if a job or training scheme is available. When people have done that, they can then register for jobseeker's allowance, rather than the other way around, whereby people register for jobseeker's allowance but no mechanism is in place.

Deputy Brendan Howlin: We will do that.

Deputy Sean Fleming: Such a change would be what I call public sector reform, that is, making sure that two offices or two Departments talk to each other and follow up with each other.

Deputy Paudie Coffey: Fianna Fáil spent a long time in government without doing that.

Deputy Sean Fleming: This issue was raised at last week's meeting of the Committee of Public Accounts but the response was there were data protection issues that precluded the sharing of information between Departments. The Minister would have the support of this House, were he to amend the data protection legislation to make sure the Government operates in a single, joined-up manner. I refer to the manner in which information from a local authority cannot be given to the social welfare authorities, information from the tax office cannot be given to the FÁS office and information about a medical card means test cannot be given to anyone dealing with an application for supplementary welfare allowances. The Minister must do this and Fianna Fáil would support him in this regard.

I will conclude by stating that Fianna Fáil supports the overall financial parameters.

Deputy Brendan Howlin: But not any of the details.

Deputy Sean Fleming: A number of measures were introduced by the Minister with which I do not disagree and that I let go. However, the Minister has made a number of choices and priority decisions that were not enforced on him by the European Union, Angela Merkel or any of the Government's friends in Europe.

A Deputy: That is the reason your party will roll over next week.

Deputy Sean Fleming: I note the Taoiseach will be going over there next week to agree to whatever proposal she might have. In his speech last night, the Taoiseach referred to the European leaders as though the people in Europe, that is, in France and Germany, are the leaders. The Taoiseach is one of the European leaders. He is leader of one of the 27 member states and is leader of one of the 17 eurozone members.

Deputy Bernard J. Durkan: Perhaps the Deputy's party should have remembered that for the last ten years.

Deputy Sean Fleming: For him to talk about European leaders in the third person involves——

Deputy Bernard J. Durkan: It is a pity its Ministers did not turn up now and then.

Deputy Sean Fleming: The Taoiseach was putting himself in the category of spectator when it comes to those meetings because he is yet to put a single decent proposal to any such meeting. The Taoiseach should have been dealing with the future of the country last night and not today's budget.

Deputy Gerald Nash: What did the Deputy's party do to the country's past?

Deputy Sean Fleming: Members today have heard a speech from the Minister, Deputy Howlin. Perhaps the Minister for Finance might tell Members what he has against the third and fourth child tomorrow. He referred to this last week and the point was understood. However, someone has won out in respect of that debate.

This budget delivery process is a triumph of spin over substance. I have given repeated examples in each of the Ministers' personal offices.

Deputy Kevin Humphreys: The Deputy has not.

Deputy Sean Fleming: Moreover, I only picked out the five or six key Ministries that are involved in this process to show where the Minister has given salary increases, travel expenses and hotel accommodation increases and office increases in the respective Ministers' Departments.

Deputy Arthur Spring: What about the billions wasted when Fianna Fáil was in office?

Deputy Sean Fleming: All these increases are included in the expenditure report.

Deputy Brendan Howlin: Come and explain it to me.

Deputy Sean Fleming: I have tagged the pages for each and every one of them. If the Minister doubts any figure, he should note they come from his own document and are not my words. The Minister should explain the reason he is making these cuts to the fuel allowance and in respect of students.

Deputy Paudie Coffey: Because Fianna Fáil was the cause of it.

Deputy Sean Fleming: Why is he increasing the charge by 50%, when he is looking after his own friends and cronies in high places?

Deputy Bernard J. Durkan: It is because of what happened for the past 15 years. Where has Deputy Mattie McGrath gone to?

An Ceann Comhairle: When the Deputy is ready, I ask for some silence. I call on Deputy McDonald on behalf of Sinn Féin. The Deputy has 30 minutes.

Deputy Mary Lou McDonald: I am conscious that people watching this debate at home will have listened to the Minister's words and that many of them will be as disappointed as am I with what they have heard. At the outset, I note that although this budget is a dismal affair, in the past, the people passed their verdict on the last Government that pursued the same strategy as the current Administration. I remind the Government and its Ministers that they are

accountable to the people. The kind of high-handed tactics the Government has adopted in the course of this budgetary process, including highly cynical leaking, has not gone unnoticed.

Last night, the Taoiseach told struggling families and working people they were not responsible for the crisis. Today, however, the Minister has delivered a budget targeting those very same people yet again and is making them carry the can for a crisis not of their making. This is the fifth austerity budget inflicted on our people. It is the fifth round of cutbacks and the fifth assault on the livelihoods of low and middle income families. It is the fifth disgraceful episode in which our older people, our young people, our carers and people with disabilities take the pain for the greed, incompetence and corruption of the ruling classes.

Previous cutback budgets were introduced by Fianna Fáil. Do the Government parties remember the rage they expressed when that party hacked away at citizens' lives? Do they remember when the Labour Party and the Fine Gael Party railed against austerity and its devastating consequences? That was then. The budget today is totally at one with that of the last failed Government. Nothing the Minister has said today has not been said by its members. The Government promised something different and promised change. However, today's budget consigns all of its promises to the dustbin of two-faced, sleveen politics.

Deputy Shane McEntee: Sinn Féin would know a lot about that.

Deputy Bernard J. Durkan: Sinn Féin could teach people about being two-faced.

Deputy Mary Lou McDonald: Is ionann straitéis eacnamaíochta an Rialtais seo agus an straitéis a bhí ag Fianna Fáil agus na Glasaigh. Tá sibh go léir ag dul sa treo céanna — an bóther mícheart do mhuintir na hÉireann. Tar éis an olltoghcháin bhí an pobal ag súil le athrú, ach rinne sibh feall orthu. Tá gach gealltanas caite ar leataobh agaibh. Little wonder that people are cynical about politics and politicians, because you are all the same.

Deputy Bernard J. Durkan: Sinn Féin is the same in the North.

Deputy Mary Lou McDonald: The truth is that the Labour, Fine Gael and Fianna Fáil parties are committed to the same failed policies that have increased unemployment, poverty and emigration.

Deputy Dominic Hannigan: What about the bank guarantee?

Deputy Mary Lou McDonald: The Government parties have taken the baton from the last Government and have continued its disastrous course and no amount of rhetoric can disguise that fact.

Deputy Patrick O'Donovan: How many hospitals has Sinn Féin closed in the North?

Deputy Mary Lou McDonald: Today is a sad day for this State. It is a sad day for those families who waited anxiously to hear what the Minister had to say and who will be obliged to cope with the realities of it. It is a sad day for the economy. The Government has chosen to compound a crisis by following a policy set down by its predecessors in Fianna Fáil, a policy that has failed.

It is also a sad day for the Labour Party. It promised to protect the vulnerable and low paid. It promised fairness.

Deputy Gerald Nash: It has done that. The Deputy should check the statement.

Deputy Mary Lou McDonald: Today, the Labour Party is exposed. It is exposed as a party which will state and do anything to get into and stay in power.

(Interruptions).

Acting Chairman (Deputy Michael McCarthy): Deputy McDonald to proceed, without interruption.

Deputy Mary Lou McDonald: Let me remind its members of some of its promises to the people before the last general election. On child benefit, it stated: “[We believe] children should not be made to pay for the current economic crisis. Labour will not cut child benefit.” Bravo. On welfare cuts, it stated: “Fianna Fáil is making the poorest in our society pay for its disastrous mismanagement of the economy. It is difficult to fathom how any of this will help national recovery.” On its plan to promote recovery, it stated it would “chart a way out of ... recession that is equitable and that does not deprive struggling families of the means to weather this storm”.

Deputy Alex White: Yes.

Deputy Mary Lou McDonald: On education, it stated it “is committed to universal education from pre-school to third level because we believe that everyone — regardless of their background or their family’s income — should have an equal chance ...”.

Deputy Alex White: Yes.

Deputy Mary Lou McDonald: I could go on. The Labour Party made these statements knowing full well the state of the public finances. There was no great revelation when its members walked into Government Buildings; the only revelation was for the public when it became clear that they were ripping up all of their pre-election promises and continuing the Fianna Fáil Party policies they had derided. It was out with “no cuts, let’s protect the poorest” and in with “pay the banks and we must unquestionably agree with the IMF and the EU”.

Deputy Emmet Stagg: We did not rob the banks anyway.

Deputy Mary Lou McDonald: The unemployment figures, the haemorrhage of emigration, the collapsed domestic economy and the misery facing struggling families all stand as testimony to a failed policy, a damning indictment of the “bailout for the banks and cuts for the people” policy the Labour Party now so warmly embraces. The burden of private bank debt must be lifted from the shoulders of citizens. It is not our debt and we cannot pay it back. It is not sustainable, as the dogs in the street know.

Deputy Colm Keaveney: Sinn Féin did not know it when it voted for it.

Deputy Mary Lou McDonald: The budget deficit must be reduced, which is a given. There is no easy way out of this crisis. There are no soft options available——

(Interruptions).

Acting Chairman (Deputy Michael McCarthy): Deputy McDonald to proceed, without interruption.

Deputy Mary Lou McDonald: ——but there are choices to be made. The Labour Party persists with the brazen lie that it has no option——

Deputy Colm Keaveney: Sinn Féin did not vote for the bank guarantee.

Deputy Mary Lou McDonald: —but to target low and middle income families and cut back on vital public services. The truth is it does have choices but it has chosen to ruthlessly target men, women and children across the State who are already struggling following years of cuts.

Deputy Aodhán Ó Ríordáin: When was that?

Deputy Bernard J. Durkan: What happened in Northern Ireland?

Deputy Mary Lou McDonald: It has betrayed every single one of them. The eagerness with which the party is pursuing its new cuts agenda is deeply shocking. So proud is the Minister, Deputy Howlin, of the pain and misery he is to impose on citizens that he has abandoned budget tradition and demanded a day all to himself in order that he can set out over €2 billion worth of cuts. What is he thinking? It beggars belief that in his quest to make the Labour Party seem like an equal partner in government he has grabbed the announcement of “Howlin’s cuts” with such gusto. The Fine Gael Party certainly owe him one.

Let me be clear again, the budget deficit must be reduced. This reduction can be made by way of fair taxation.

(Interruptions).

Deputy Mary Lou McDonald: There is a revolutionary thought. It can come about by way of the elimination of waste in spending—

Deputy Brian Hayes: Where? Spell it out.

Deputy Mary Lou McDonald: —and, most importantly, by way of growth.

Deputy Bernard J. Durkan: Who voted in favour of cuts in Northern Ireland?

Acting Chairman (Deputy Michael McCarthy): Deputy McDonald to proceed, without interruption.

Deputy Mary Lou McDonald: We cannot fix the public finances until we tackle unemployment, as the Minister has acknowledged. However, he is not striking the right balance with this budget. There is no easy way out of the crisis, but there is a fair way, which is to tax wealth.

Deputy Tom Hayes: And ruin the country.

Deputy Mary Lou McDonald: It is not fair to cut welfare payments, as the Minister has done today; to make education the preserve of the elite, as he is on course to do with his announcement today; to attack family living standards or to make health care a privilege.

Deputy Patrick O’Donovan: Where are the savings? In Armagh.

Deputy Mary Lou McDonald: These are the things the Minister claimed he would not do—

Deputy Patrick O’Donovan: Indicate one single saving.

Deputy Mary Lou McDonald: —but today he has. These are his political choices. He has made other choices, too. In the last ten months he has chosen to protect those on sky high wages and in receipt of pension pay-outs in the public sector. He has repeatedly broken his

[Deputy Mary Lou McDonald.]

own pay ceilings for ministerial advisers, on 14 occasions in all. Yesterday's newspapers were full of stories on the Taoiseach insisting on a €37,000 salary hike for Mr. Ciarán Conlon, Fine Gael's former director of communications. The Taoiseach is not prepared to protect the vulnerable, but he will fight tooth and nail for Mr. Conlon. Is that not telling? The Minister has thrown shapes about pension pots and pay-outs, but he has done precious little about the matter. He came into the Dáil looking for a clap on the back in respect of his so-called pensions reform, but all he has done is made sure Brian Cowen will still be left with a pension of €147,000.

Deputy Colm Keaveney: What about the cuts in pension for all those workers who were out on strike?

Deputy Mary Lou McDonald: Mr. John Bruton takes home €138,502, while a former Tánaiste and colleague of the Minister, Dick Spring, enjoys a whopping annual pension of €119,420.

Deputy Brian Hayes: Less tax.

Deputy Patrick O'Donovan: What about the Westminster payments for non-attendance?

Acting Chairman (Deputy Michael McCarthy): Deputy McDonald to proceed, without interruption. I ask her to detist from mentioning people who are not present.

Deputy Mary Lou McDonald: There is no chance of the Minister giving them——

Deputy Patrick O'Donovan: What about the Queen's money at Westminster?

Deputy Mary Lou McDonald: ——the “times are tough” pep talk.

Deputy Patrick O'Donovan: Some £90,000 sterling a year.

Deputy Mary Lou McDonald: Has the Minister told them the State is insolvent, or has this fact slipped their attention?

Deputy Patrick O'Donovan: Some £90,000 sterling a year for non-attendance at Westminster.

Deputy Mary Lou McDonald: The Minister has failed to address runaway pay levels at the top of the public and Civil Service. The Taoiseach is on a salary of €200,000; the Tánaiste and Minister for Foreign Affairs and Trade, Deputy Eamon Gilmore, who has left the Chamber, is on a salary of €185,000, while the Minister and his ministerial colleagues are on a salary of €169,000.

Deputy Patrick O'Donovan: Some £90,000 sterling a year for non-attendance at Westminster.

Deputy Mary Lou McDonald: The truth is that none of these salaries can be defended.

Deputy Patrick O'Donovan: Those payments are in sterling.

(Interruptions).

Acting Chairman (Deputy Michael McCarthy): There should be no further interruptions.

Deputy Mary Lou McDonald: Last week, the Government set out in law bumper salaries for members of the Judiciary and the political class; this week it takes the knife to low incomes——

Deputy Patrick O'Donovan: What about Pat Doherty?

Deputy Mary Lou McDonald: —young people in receipt of disability allowances and the entitlement of part-time workers to jobseeker's allowance. That is what it chooses to do, but it could do things differently. It could protect the living standards and spending power of families already struggling with their bills. It could ask high earners, at this time of crisis, to shoulder the burden. It could cap public sector salaries at €100,000 and make a saving of €265 million for the Exchequer.

Deputy Patrick O'Donovan: Does that apply at Westminster?

Deputy Mary Lou McDonald: —but it chooses not to do this because it is not really up to making the tough choices.

Deputy Finian McGrath: We are not in England now; Deputy O'Donovan should relax.

Deputy Patrick O'Donovan: Deputy McGrath was Bertie's cheerleader.

(Interruptions).

Acting Chairman (Deputy Michael McCarthy): Only one speaker is allowed to speak at a time. I ask Deputy McDonald to continue.

Deputy Mary Lou McDonald: There is no economic or moral argument for making €475 million worth of cuts to the social welfare budget, cuts of the most dishonest kind. The Minister has said he has not cut social welfare payments. The payments to one parent families are to be cut by €122 million. The disability allowance is to be discontinued for 16 and 17 year olds and cut to €100 for young people between the ages of 18 and 21 years and €144 for those aged between 22 and 24. The Minister has also set out cuts to jobseeker's benefit. The question is: when is a cut not a cut?

Deputy Patrick O'Donovan: When it is made by Sinn Féin.

A Deputy: When it is made in Belfast.

Deputy Mary Lou McDonald: It may seem to the Minister that the cuts are marginal, but if one is already at the pin of one's collar, losing any amount from one's weekly payment can make the difference between being warm and cold and light and darkness, but he knows all of this already. He knows that the Society of St. Vincent de Paul has been inundated with requests for help since last year. What is more, the Minister has not just taken money out of people's pockets; he has taken it out of the local economy and out of the tills in their local shops—

Deputy Paudie Coffey: You are good at that yourselves.

Deputy Tom Hayes: You are well able to handle the tills yourselves.

Deputy James Bannon: And the ATMs.

Deputy Mary Lou McDonald: —because every cent paid in social welfare gets consumed in the real economy. There are no savings. This withdrawal of cash from the economy will mean more job losses, more contraction and the vicious cycle will continue. This applies to all the cuts implemented today.

The way to reduce the social welfare bill is to get people back to work.

Deputies: Hear, hear.

Deputy Mary Lou McDonald: The Minister has chosen to sign up to the cutback and austerity agenda and in so doing he ensures economic contraction and job losses, and this will mean an increase in social welfare demand. It is hard to fathom that he cannot join these dots and recognise the consequences of the policy he is pursuing. He had no difficulty understanding them from the Opposition benches.

For all his talk about job creation, his record is deplorable. There are increasing numbers on the live register and an increased level of long-term and youth unemployment despite record levels of emigration. Jobless people wonder whether they will ever work again. Ironically, the Minister wears the 23,000 job cuts in the public sector as a badge of honour. He has no idea what jobs will go, what front line services will be most damaged or what the so-called “savings” to the Exchequer will be.

Deputy Brendan Howlin: The detail is in it.

Deputy Mary Lou McDonald: The cuts in capital expenditure will cost jobs. If the Minister was serious about getting people back to work he would ramp up investment in infrastructure.

Deputy Brendan Howlin: Print the money.

Deputy Mary Lou McDonald: The National Pensions Reserve Fund should be used for a stimulus programme. The €5.3 billion remaining in the fund should be invested in job creation and not pumped yet again into the banks. Additional money should be drawn down from the European Investment Bank. All of this can be done. Sinn Féin has set out the real benefits of a €7 billion stimulus plan over three years. Such an investment could protect almost 100,000 jobs and create 60,000 additional jobs.

The jobs initiative has been a spectacular flop. It was much too timid. It fell far short of the stimulus shock required to get the economy moving again. Today, a cut of 3% has been made for funding jobs, enterprise and employment. In real terms, today’s budget will do more harm than good in respect of jobs.

Child benefit has been cut for the third time in recent years. Child benefit is a universal payment to the primary carer, usually the mother. It is a payment made equally to all children. It is paid in recognition that the State is a poor provider for children with no free health care, education or child care. Paying a universal benefit means catching some people in it who do not need the payment. However, this is dealt with this by taxing high earners’ wages fairly and by taxing wealth and financial assets fairly. One does not do so by targeting the payment, but this is what the Minister has chosen to do today.

A family with four children will be down €432 in 2012 rising to €768 by 2013. I could not count the number of times over many years, that Labour Party and Fine Gael Party spokespersons asserted — correctly — that a universal child payment was the best proven method of targeting child poverty.

Deputy Brendan Howlin: We have kept it.

Deputy Mary Lou McDonald: They were right then and they are right now. So what happened? Why did the Minister decide to punish families with larger numbers of children? Anyone who knows anything about raising a family knows real costs increase with three, four or five children.

Child benefit has been cut not as comprehensively as the Government wished to. I have no doubt the pressure from these benches and the general public made the Government pull back from its worst excesses but child benefit has been cut nonetheless.

Deputy Patrick O'Donovan: Here is a lesson: do not believe everything you read in the newspaper.

Deputy Mary Lou McDonald: The Minister set out to cut education by €132 million. There was a time when the Labour Party claimed to believe in free universal education. Today, the Minister levied a range of cuts that will ensure the Minister for Education and Skills, Deputy Ruairi Quinn, will end up attacking education as a right. Where will I start? There will be a hike in the cost to families of school transport; a reduction of 2% in core funding for higher education; a reduction in school capitation grants which the Minister knows are already pathetically low and every parent who has organised a fundraiser or cake sale for a school can attest to this; a 20% cut in funding for students with a disability; a 3% cut in maintenance grants; and the hiking up of registration fees by €250 for third level students.

Deputy Colm Keaveney: How much is charged in the North?

Deputy Mary Lou McDonald: Where is the Minister, Deputy Ruairí Quinn? Is he in the Chamber? Shame on him.

Not so long ago, the students were outside in fine voice looking for the Government Deputies.

Deputy Patrick O'Donovan: They were outside Stormont too.

Deputy Mary Lou McDonald: They wanted to speak to them. Do they know their message? It was that Fine Gael and the Labour Party should keep their promise. It seems their call has fallen on deaf ears.

Not only are cuts in education unacceptable, they fly in the face of any prospect for the knowledge economy we need to build to help us recover. In other jurisdictions faced with recession a conscious decision is taken to ensure full education and training is supported. This is a choice and the Government has chosen not to tax high earners or wealth and not to go after high-rollers. Instead it is going after children's education. These are the wrong choices not only for the short term, but for the long term.

Cuts in health will amount to more than €543 million. We must remember this is on top of a €1 billion cut inflicted on these services in 2011. There is no doubt savings can be made——

Deputy Paudie Coffey: Where?

Deputy Mary Lou McDonald: ——such as in respect of the use of generic drugs——

Deputies: That is in there.

Deputy James Bannon: Did you read it?

Deputy Alex White: Do you want the page number?

Acting Chairman (Deputy Michael McCarthy): Deputy McDonald only, thank you.

Deputy Mary Lou McDonald: ——and in respect of ending the subsidisation of private medicine in public hospitals.

Deputies: That is there too.

Deputy Kieran O'Donnell: Does Deputy McDonald want to take a minute to read the document?

Acting Chairman (Deputy Michael McCarthy): Senator McDonald only.

Deputy Mary Lou McDonald: What the Minister has chosen to do instead of bringing these savings fully home he chose to cut €50 million in disability, mental health and children's services. Shame on you.

Deputy Arthur Spring: No.

Deputy Dominic Hannigan: Mental health services are getting €35 million.

Deputy Mary Lou McDonald: This boils down to a political choice. The Minister promised one thing in opposition but is delivering another in government.

Deputy Ray Butler: Like up North.

Deputy Mary Lou McDonald: In the North of the country, since our colleagues are so interested, my colleagues are fighting with the British Government——

(Interruptions).

Deputy Brian Hayes: Now there is a surprise.

Deputy Ray Butler: We thought the war was over.

Acting Chairman (Deputy Michael McCarthy): Deputy McDonald without interruption.

Deputy Mary Lou McDonald: If the Government backbenchers cannot listen to a sensible debate they might want to go outside and play with their Lego sets.

Deputy Micheál Martin: They are playing snakes and ladders.

Deputy Mary Lou McDonald: In the North of this country my colleagues are arguing for the devolution of fiscal powers so the people of the Six Counties can make their own tax and spending decisions.

Deputy Brian Hayes: With no opposition.

Deputy Mary Lou McDonald: As it stands, the Assembly is at the mercy of a block grant, which the Tory Government cuts at will.

Deputy Brian Hayes: When you are explaining you are losing.

An Ceann Comhairle: I ask Deputies to quieten down. We are nearly finished. The Deputy has six minutes remaining and I ask——

Deputy Brendan Griffin: Did you tell the British Government you are fighting with them?

An Ceann Comhairle: Would you mind staying quiet please up there? Thank you.

Deputy Mary Lou McDonald: Services are constantly under threat in the Six Counties, while Ministers do all they can to protect them. Therefore, the Administration is faced with hard choices.

Members have much to say in this Chamber about Sinn Féin in the North. Sinn Féin has protected the most vulnerable, those on low incomes and at risk of poverty.

(Interruptions).

Deputy Colm Keaveney: It closed accident and emergency departments and cut jobs.

An Ceann Comhairle: Deputy Keaveney is not in Eyre Square. Will he, please, allow Deputy McDonald to finish?

Deputy Mary Lou McDonald: There are no prescription or water charges. A social solidarity fund has been established and the wages of lower paid public servants have been protected.

Deputy Aodhán Ó Ríordáin: Why did they go on strike?

Deputy Mary Lou McDonald: It has made fair choices. The Minister could take a leaf out of its book. He says he has no choices, but he does. The European Union and the IMF want us to repay our debts, but they are willing to negotiate on the measures to be taken. The Minister said this, when it suited him, and they stated it, too.

Deputy Aodhán Ó Ríordáin: The total of €10 billion says something different.

Deputy Mary Lou McDonald: The Government chooses to follow a memorandum of understanding reached by Fianna Fáil. The Minister chooses to inflict the same level and types of cuts.

Deputy Aodhán Ó Ríordáin: The Deputy is wrong.

Deputy Mary Lou McDonald: Why does he protect the *status quo*? It seems from the carry-on of his party to date that his priority is more about elevating his own position of power than worrying about the little people on whose backs it climbed to get to power. The Minister says his budgetary measures are necessary, but what alternatives did he pursue? Tomorrow the Minister for Finance will set out the Government's taxation measures. Last month we published our pre-budget 2012 submission which set out an entirely different approach to the State's finances.

Deputy Colm Keaveney: Based on 2007 figures.

Deputy Mary Lou McDonald: We concentrated on taxes over spending cuts. Deficit reduction is necessary. How it is done is at the discretion of the Government. Did any Minister even once argue at the Cabinet that this balance was wrong? Is the Minister telling us the Labour Party which last year advocated a third tax rate of 48% and adopting a 50:50 approach on taxes and spending cuts now believes a higher ratio of spending cuts to taxes offers the right formula, or is it just that the Labour Party's negotiating powers are so bad that it could not get Fine Gael to meet it even half way on any of these budgetary matters?

(Interruptions).

Deputy Micheál Martin: They rise to the bait every time.

Deputy Mary Lou McDonald: Bhí gá le treoir dearfach ón Rialtas inniu. Ba chóir fáil ré leis an sean-pholaitíocht, an pholaitíocht a theip. Bhí gá le fíis nua do mhuintir na hÉireann. Bhí gá le céim chun tosaigh, ach ní mar sin atá sé. Tá a rogha déanta ag Páirtí an Lucht Oibre agus is ionann iad agus an Rialtas a scrios eacnamaíocht na tíre seo.

Deputy Aodhán Ó Riordáin: Ráiméis. Caint san aer.

Deputy Mary Lou McDonald: This should have been the day when real leadership was shown, when the failed policies of the past were left behind and the people could see, at last, a fair way forward. Today the Labour Party has made its choices and shown its hand. They are all the same after all. No one in the Dáil struggles on €200 a week, has sleepless nights and the feeling of dread in the pit of his or her stomach when the euro and cents do not add up. Has any Deputy put cardboard in his or her child's shoes to keep out the wet or told their little one they cannot go to a birthday party? No, he or she has not.

Deputy Bernard J. Durkan: If the Deputy went back, she might find that they did.

Deputy Tom Hayes: Deputy McDonald never did it either.

Deputy Bernard J. Durkan: The Deputy is getting dirty now. She does now know all she thinks she knows.

Deputy Mary Lou McDonald: The people know how hard it is. They make tough decisions every day.

Deputy Simon Harris: The Deputy does not have a monopoly of concern.

Deputy Mary Lou McDonald: The Minister has shown he cannot take tough decisions. He will not lead from the front and cut from the top. This is a bad day's work. Shame on the Minister.

Deputy Tom Hayes: Shame on the Deputy.

Deputy Stephen S. Donnelly: With the agreement of the House, I will share time with Deputies Claire Daly and Catherine Murphy.

An Ceann Comhairle: They will have ten minutes each. Is that agreed? Agreed.

Deputy Stephen S. Donnelly: I accept that the Government had to make difficult decisions. I have never sat through this process or watched it on television, but if I were a lone parent or someone in receipt of a jobseeker's payment watching today's circus, in which a bunch of people making up the national Parliament who are paid a minimum of €93,000 per annum and protected by gilt edged pensions are behaving in the way we are, I would be very angry and scared about the future of the country. I say this as someone who has never been through this process before. Over time I may change my behaviour, but I hope not.

It is difficult to react quickly to the detailed 200 pages of the expenditure report; therefore, I will address the overall approach adopted. Last year, in response to Fianna Fáil's last budget, the Minister for Finance who, like the Minister for Public Expenditure and Reform, has left the Chamber, said: "The Government never learned that one cannot cut and tax one's way out of a recession." That was right then and it is right now. There is Harvard research to show that in the last 200 years only one country has ever cut its way out of such a debt overhang. Can this become the second?

What is happening to the economy? The domestic economy is collapsing. The United Kingdom is one of our biggest trading partners and the OECD has just stated it looks as if it will move back into recession. Across Europe there are extremely difficult trading circumstances. We are dealing with an over-inflated currency which makes it difficult for our exporters to sell into the United Kingdom or the United States. Last week and the week before our growth forecast was slashed hugely. What happens? Our target of the deficit to GDP has widened. We are in an IMF programme and signed up to a deal; therefore, we cut further. What will happen then? The domestic economy will shrink further and we will bet the house on the fact that somehow the United Kingdom, the United States and the central European economies will grow. That is how we will get out of this.

We are talking about a cut of €2.2 billion, made up by €755 million in capital expenditure and €1.45 billion in operating expenditure. Every Member of the House knows this will devastate families and would prefer it did not happen.

I accept that we must correct the budget and that it will be painful. However, in a few weeks time in January we will pay €1.25 billion to unguaranteed senior bondholders in Anglo Irish Bank. That amount would cover the entire cut in next year's operational expenditure. We will also pay €3.1 billion by way of ill-conceived expensive promissory notes, much of it to a dead criminal ex-bank.

What else can we do? The Government states we should not increase income tax. Normal economic theory states one does not increase income tax because one should not tax labour and we are trying to keep everyone at work. Therefore, we should tax consumption. That is smart economic theory. However, that theory does not apply in a situation such as the one in which we find ourselves. If we were to increase income tax on incomes above €100,000, as an emergency tax for a limited time, it is unlikely that people earning more than €100,000 would decide to move to Australia or the United Kingdom and stop working. Conversely, taxing consumption presents a huge problem. It is a regressive tax and hits the worst off hardest. While I accept the Government's logic in normal times, I ask the Minister to reconsider this measure before the Finance Bill is introduced. That logic does not work in current circumstances.

Similarly, we could look at higher end public sector pay and pensions. The Government recently made a move on the highest public pensions. For years under Fianna Fáil generous public sector pensions were increased far above the rate of inflation. In a time of national emergency, when we are cutting support to jobseekers, fuel benefit for poor families and the help we give to one-parent families, it is reasonable to consider such issues.

I welcome the new process outlined by the Minister, Deputy Howlin, and it is great to get new information and a staggered budgetary approach. However, there is a need to go much further. For example, we are looking at a taxation to expenditure ratio of €1.6 billion to €2.2 billion. We do not know why and we have not seen any analysis as to why that is the correct cut. We are looking at capital expenditure next year of €3.9 billion but we do not know why; for example, we do not know if we should take €1.4 billion from that and resist all cuts on the operational side. I encourage the Government to produce much more in that respect. I would like to see a poverty impact analysis, regulatory impact analysis and gender impact analysis of the proposed cuts, particularly with regard to one parent families.

The current approach is taking us in one direction, a continued loss of sovereignty, and in this case it is potentially a permanent loss of sovereignty, ceded to central European powers. Last week in the Chamber and in his address last night, the Taoiseach stated he wanted stronger governance in Europe so that we could avoid repeating the mistakes of the past. I put it to the

[Deputy Stephen S. Donnelly.]

Taoiseach that this logic suggests that we will continue to make the mistakes of the past and we will, therefore, hand over oversight of our finances to a central power so we cannot do so.

The Taoiseach: Wrong.

Deputy Gerry Adams: Right.

Deputy Stephen S. Donnelly: That is the logic.

The Taoiseach: It is the Deputy's logic.

Deputy Stephen S. Donnelly: It is how the Taoiseach is looking to avoid the mistakes of the past. I do not agree with the Government's overall approach and there are issues which I, members of the Government parties and others will have with the budget. However, this budget shows we can govern ourselves and are perfectly capable of making very hard decisions.

I will finish with a second quote from the Minister for Finance, Deputy Noonan, when he responded to the Fianna Fáil budget last year. He said: "This is the budget of a puppet Government, which is doing what it has been told to do by the IMF, the EU Commission and the European Central Bank." This new Government can escape that fate but right now, this budget is doing exactly what the Minister, Deputy Noonan, suggested that Fianna Fáil was doing the last time. I encourage the Government to return with radical new proposals.

Deputy Clare Daly: Austerity is not working and everybody knows it. Everybody outside the Chamber certainly feels it, yet it is the only medicine that has been dished out by the Government today. What a pitiful disappointment for the tens of thousands of people who voted for the Government parties in the hope that they would represent something different. Far from being a crusading Minister coming to deliver something radical, the Minister, Deputy Howlin, is merely responsible for more of the same. He said his guiding principles for this delivery were fairness, jobs and reform, which is unfortunate, as these are precisely the three areas where the Government has fallen down. The only positive is that we will not have to listen to the Government parties bleating that this is all the fault of Fianna Fáil. This budget was its doing and it has chosen to continue the policies of its predecessors and to make ordinary people pay.

The points have been made and these announcements have been an absolute kick to people on social welfare. It is probably one of the most cynical exercises to pretend that core payments have been protected in order to provide a shield for the unleashing of a vicious attack on living standards of the most vulnerable in society. We now know the Minister, Deputy Howlin, is an equal opportunities butcher. The people in receipt of disability allowance will no doubt feel very proud that they are not being discriminated against and they can share the €4,500 cut that able-bodied colleagues received last year, with the reduction by €88 per week in disability allowance. It is €22 per week to those on disability between 21 and 24 and it is absolutely despicable.

When this is combined with cuts in gas and electricity, fuel allowances, rent supplement, one parent family payments and the benefit which the Labour Party indicated it would not cut — child benefit — it amounts to an absolute scandal. Listening to the Minister telling us that "The ageing population is already placing demands on essential health and personal social services", are we to say "shame on them"? Is that the appreciation we give them for years of service to this State? They can share in cutbacks of €150 million to €300 million outlined by the Minister, Deputy Howlin. It is a bit ironic to hear a Labour Party Minister outlining these cutbacks while at the same time standing over the biggest expenditure hikes in interest on national debt. The interest went up in the past couple of years by €2.9 billion but will rise by €6.8 billion in 2012.

In other words, all the hardship and austerity is to pay the interest on money borrowed to bail out banks and fund the fiscal deficit. The Taoiseach told us we were not responsible for this last night and the United Left Alliance agrees. We will take that argument to its conclusion and if we are not responsible for it, we should not pay for it as the price is pulverising domestic demand and making the overall position worse. We know this because the Government is only doing what the shower who went before did. Some €21.7 billion has already been taken from the economy in cuts and by the end of next year, that will have a cumulative impact of €58 billion taken from the economy, an average of almost 9% of GDP per annum. To simply undo the damage of Government cuts, we would need a growth rate of 3.5% over the next four years, and the Government is not even predicting that rate.

There can be no economic recovery without people to work. It is a total indictment of the Government that the only concrete proposals for jobs relate to job losses. It is interesting that the Minister pinpointed a moneyspinner of €104 million from the reduction in redundancy rebates to employers, and the Government is clearly expecting quite a few people to lose their jobs in order for that level of savings to be generated. The Government is standing over 23,500 job losses in the public sector, with 6,000 next year. These will be nurses, teachers, council workers, gardaí, staff in social welfare offices and people at the coal face in delivering public services. There is no doubt that this will lead to an absolute catastrophe which will far outweigh any vague commitments to encouraging private investment to deliver jobs.

We should see the assault on the public sector in the context of the OECD report, which has already shown that with fewer numbers and resources, our public service delivers a fine level of service. What will be the impact of cuts and job losses? We saw the uproar last year caused by the impact of health cuts in many regional hospitals but there are plans to cut another €500 million from that. The Government is to cut a system already pared to the bone. The Rotunda hospital has 800 daily visitors, with one midwife to every 47 patients, despite the recommended safety level being one for every 33 patients. How can cutting health staff possibly improve our health service? It cannot.

One of the most embarrassing aspects for the Labour Party must be education. We were told by the Labour Party before the election that investment in education is the most important type we can make in our own future, and that it is central to our longer-term economic recovery. It is not something that can wait for the recovery to happen. The Labour Party does not seem to share this belief and participated in a pre-election stunt; not only has it failed to reverse the increases in college fees etc., but it has increased those fees by another €250. Postgraduate students are already meant to cope on a pittance of a maintenance grant equating to approximately €40, and they will see that axed. There is also the scandal of the school transport primary charge being doubled to €100 per student. How is that going to deliver a knowledge-based economy? I have no idea, but it certainly is not.

What we have in the proposal outlined by the Minister, Deputy Howlin, is the reality of upside-down economics. He talks about the need to create jobs but the only concrete proposals are to axe them. Where are the jobs going to come from? We have had an effective strike of private capital in this country in recent years, with a reduction in private sector investment of €33 billion. Despite the fact that the Government has failed to touch the Holy Grail of corporation tax, we have seen multinationals shed thousands of jobs this year. The reality is that the only way out of the crisis is a State-led programme of public works that would immediately put 150,000 to work on fixing our water infrastructure and delivering on our commitments in terms of hospitals and schools. Instead the Government's answer is to axe the capital budget, viable projects such as metro north and many other worthy projects that could put people to work straight away and generate a stimulus in economic activity that is so badly needed.

[Deputy Clare Daly.]

When we step back and look at what the budget will achieve, one could ask whether it will make this country a better place or improve public services. The answer is “No, it will not” on both counts. What it will do is stand over a further transfer of wealth into the hands of those at the top of society while at the same time inflicting unrelenting hardship on the backs of ordinary people.

The Minister, Deputy Howlin, is fond of telling us that we are not being practical and that we must live in the real world. The Labour Party was not set up to be practical. Historically, its role in society was outlined as being one which would transform the lives of working people, not one that would prop up the Fine Gael Party time and time again. Its founder, James Connolly, made the point that the moral is not to be practical in politics because to be practical means that one has schooled oneself to think along the lines and in the grooves of those who rob one. That is effectively what the Labour Party has done today. It is an absolute scandal and James Connolly would be turning in his grave.

Deputy Catherine Murphy: In the midst of this crisis, the Government had a real opportunity to be brave and bold and to strike for real citizen-focused reform. What was said during the general election campaign was that one could not cut or tax one’s way out of the crisis. We believed the parties that are now in Government. Some of us agreed with them. What is absent is the third way, namely, a stimulus. What we have gone for is an austerity model and a breakdown of tax and spend that is not fair. That was one of the things the Government aimed to do.

The proposals we see today display no vision but blunt cutting. There is no nuanced approach in terms of public services. I had hoped to see something in the document about that. It is very easy to cut overtime, for example, but such an approach can end up costing money, as we have seen on several occasions when agency nurses had to be employed due to inappropriate cuts. Reform must be managed and nuanced.

Some people who work in the public service earn too much. Some who have retired from the public service have pensions that are absolutely outrageous, but there are many people in the public service who earn below the average industrial wage. Let us start by not lumping everyone in together. I know gardaí, for example, who qualify for family income supplement. I know civil servants who cannot pay their mortgages. I also know public servants who are worried about how they will afford to put their children through college. We are all workers. This week I wish to see an end to the divide and conquer approach to workers.

I am in favour of public sector reform. I was in favour of it before the crash but achieving a citizen-centred public service delivered at an affordable cost must be central to our aim. They are two sides of the same coin. I do not see any vision in today’s document or what has been said, apart from cuts. I accept that what is being talked about poses enormous difficulties. That has been outlined in the document, but there is no tackling of the problem and the Minister has not outlined how it will be done. Many of those who are opting for early retirement in the public service are doing so because they can see that the approach will not work. The reform will not be managed and we will see serious problems next year apart from the cuts that have been announced today.

Reference was made to the launch of the most ambitious programme of public sector reform. One could ask where it is. It is all about cuts. One cannot blame the people who work in the HSE for that dysfunctional organisation and how it was constructed. One cannot blame those who work in county councils for a system that was largely designed for a 19th century rural population. There is a real appetite for reform but the opportunity is not being seized. Instead of using the historical model whereby one looks at the past, we must properly plan for and

predict the future. Many services are already lopsided before we introduce cuts. Many services are also threadbare. For example, one's address can mean the difference in getting speech and language therapy services. One's address can affect the delivery of adequate Garda services. One's address can make the difference in terms of being accommodated following domestic abuse.

Those who run and use the services know they are threadbare. We are told that approximately 80% of education spending goes on salaries. One could ask why that is the case. It is because education has traditionally been under-funded. Capitation grants for schools have, traditionally, been inadequate. A cut of 2% on the capitation grant today is a tax on parents because they will be asked for more voluntary funds. They will be expected to organise cake sales, race nights and other fundraising activity. Schools will still need to be heated and services will still need to be provided. Savings for Government are being passed on as costs to others. For example, the €18.5 million that will be saved on third level education with the introduction of a €250 charge is an absolute betrayal. It is the kind of thing that brings politics into disrepute. The €12.6 million savings on postgraduate education will make a difference and prevent some people who should be in college who are bright and capable from being able to go. They will be at the heart of the recovery. We were told that there is a big difference between Ireland and Portugal. The difference is what we invested in education. Do we want to become like Portugal?

The saving of €34 million on local government funding that has been announced today is largely going to be covered by way of a charge which will be debated around the country in local authorities on budget day. It will result in a flat tax of €100. It is similar to the Local Government (Financial Provisions) Act 1983 when local authorities were at the coalface of collecting the charge. The Fine Gael and Labour parties were picking up and cleaning up after the Fianna Fáil Party after it got us into another mess. Such a flat charge is regressive. A person living in a two-bedroom apartment with a couple of children who is in negative equity and who is struggling to pay their bills will be asked to pay exactly the same as someone living in a six-bedroom house who does not have a mortgage.

The Labour Party maintained over many years that there is a need for tax justice. I agreed with that policy, but this is not tax justice; it is just a blunt charge that will make up the €34 million. We could have done things differently if we had a different model of local government. We could have three or four large regional authorities that are democratically elected to deliver everything from school buildings to child care services, strategic land use and transportation planning. There would be procurement opportunities, reduced transaction costs, and innovative use of technology. They could be underpinned by a district council model which would be where the citizen would interface. There is an appetite for radical reform, but it must be meaningful and it is not in the document.

In another part of the document there is a reference to *fixyourstreet.ie*. at the same time as local authority budgets are being cut to the bone in terms of repairing roads. That kind of thing is quite cynical and will be found out quickly.

On social protection and child benefit, the saving of €43 million is an attack on children. Rather than being about targeting savings, it is about going after larger families. On jobseeker's benefit, basing it on five rather than six days a week is a real cut for jobless people. One of the most cynical cuts of all is the €51 million saving from reducing the fuel allowance period from 32 to 26 weeks. The Government had choices, but the choice people often have is the choice between putting food on the table or turning on the heat. That is the choice they must make. The devil will be in the detail. The 2% efficiencies in the areas of disability, mental health and children's services will save €50 million. We know how threadbare those services are currently. Everyone in the Chamber knows. Those services are already down to the bone

[Deputy Catherine Murphy.]

and a reduction of €50 million will make an enormous difference to people delivering those services.

In the midst of this relentless crisis, our focus must be to stop and ask ourselves what Ireland will look like in four year's time and what it will look like at the end of this Government's term. Will the austerity programme deliver jobs for people to the level needed? Will the health services be slashed and burnt, as appears to be happening now in terms of the cuts to smaller hospitals and to beds in acute hospitals? What will our education services be like? How many people will be denied the opportunity to go to college? People are just managing at the moment, but the cuts will make the difference.

There is a lack of vision in this document, which began by talking about vision. I want us to have a vision and want us to be enthusiastic about the kind of country we can create. However, I do not see that in this document. There was an opportunity to do so much more, but the wrong approach has been taken.

Deputy Micheál Martin: On a point of order, is there no opportunity to continue the debate, as there are a number of backbenchers who wish to speak? I am surprised there is not.

An Ceann Comhairle: No.

The Dáil adjourned at 4.35 p.m. until 2 p.m. on Tuesday, 6 December 2012.