



DÍOSPÓIREACHTAÍ PARLAIMINTE  
PARLIAMENTARY DEBATES

**DÁIL ÉIREANN**

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

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# DÁIL ÉIREANN

*Dé Céadaoin, 24 Deireadh Fómhair 2012*

*Wednesday, 24 October 2012*

Chuaigh an Ceann Comhairle i gceannas ar 10.30 a.m.

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*Paidir.*  
*Prayer.*

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## Leaders' Questions

**Deputy Micheál Martin:** I welcome all our new viewers of the first Leader's Questions in the digital era. Perhaps we might get better answers now.

Yesterday in the House I asked the Taoiseach a simple question which required only a "Yes" or "No" answer. Has the Government asked any individual, apart from those involved in the Dolphin process, to assess the proposed sites for the national children's hospital or has any Cabinet Minister asked an independent person to assess them? The Taoiseach's answer was overwhelmingly in the negative that no such independent approach had been made. However, yesterday evening we learned through the RTE news programme that Mr. John Fitzgerald had been approached by the Government. This is the very person who not so long ago was sacked in his capacity as a member of the HSE board by the Minister for Health, Deputy James Reilly. His experience was always available for the Government to avail of, if the Minister had not got a rush of blood to the head. The bottom line is that the Taoiseach either deliberately chose to mislead the House yesterday on the question I asked, or he was not aware that Mr. Fitzgerald had been asked, or perhaps he had been misled by the Minister, just as the Minister for Education and Skills, Deputy Ruairí Quinn, was some weeks ago. I would like a clear answer from him and would like him to correct the record of the House on the issue because it raises a range of questions. Who asked Mr. Fitzgerald to review the sites following the Dolphin report? Was it the Taoiseach, the Government, the Minister for Health or the Tánaiste who, as we learned yesterday from his aides and advisers, did not trust the Minister on the issue and that they had to do their own research. Was Mr. Fitzgerald given particular terms of reference, or were the assessment criteria given to him? Was he asked to look at all of the sites, just one, or a particular number of them? The fundamental question is: why the denial and why is there secrecy around this saga? It creates suspicion that there may be an attempt to fix this issue in some shape or form. The Taoiseach needs to provide far more transparency in this process than he has to date.

**The Taoiseach:** The reason the Government - Fine Gael and the Labour Party - wants to do this is there has been an urgent need for many years to build a world class facility for all

children. It will be one of the major projects in the Government's term of office. I have no interest in the speculation, the rumour or innuendo in the general mix of things surrounding a major decision such as this.

The Deputy asked me two questions. He asked whether the Government had commissioned another independent report on the national children's hospital. The answer to that question is "No." He also asked whether any Minister had commissioned other independent reports on any of the proposed locations. The answer to that question is also "No." The process is as I have outlined and stated by the chairman of the group, Mr. Dolphin, who was commissioned by the Government to present a report which was presented to the Minister in June and which set out the observations of his expert group on locations for consideration as the site of the national children's hospital. Mr. Dolphin issued a statement on presentation of his report which is available on the website.

There is one process only. On receipt of the Dolphin report, the Minister for Health and the Department would have assessed it. The Minister will bring his recommendation to the Government which will make its decision. It is a Government project which is part of the programme for Government. No other independent report or reports has or have been commissioned by the Government or Ministers.

**Deputy Micheál Martin:** I will repeat the question I asked yesterday. Has the Government asked any other individual separate from the Dolphin process to assess the sites concerned? I did not mention the word "report" in that fundamental question. I also asked whether any Minister in the Cabinet had asked an independent person to assess the sites. I said simple "Yes" or "No" answers to those questions would be appreciated. That is what I asked the Taoiseach yesterday, but he did not respond. He said no independent report had been commissioned.

**The Taoiseach:** The answers are "No" and "No."

**Deputy Micheál Martin:** I ask the Taoiseach to be open and transparent.

**The Taoiseach:** Does the Deputy understand that?

**Deputy Micheál Martin:** Why did a Government spokesperson confirm to RTE last evening for the midnight news - this is not speculation - that Mr. Fitzgerald had been approached in order to avoid the debacle over the Mater hospital site? Has RTE been completely wrongly advised by someone speaking officially on behalf of the Government? I refer to a Government spokesperson rather than a Government source. We should not play semantic games about phrases such as "independent reports".

**Deputy Bernard J. Durkan:** We could not have that.

**Deputy Micheál Martin:** The Taoiseach was asked a straightforward question yesterday and can give a straightforward answer today. Mr. Fitzgerald's name is all over the news bulletins this morning. All the Taoiseach has to do today - all he should have done yesterday - is confirm that Mr. Fitzgerald has been approached by the Government.

**Deputy Mattie McGrath:** I thought he had left.

**Deputy Micheál Martin:** People want to know why there is all this secrecy. Why is there an inability to tell the truth to the House?

**Deputy Ray Butler:** That is rich coming from the Deputy.

**Deputy Micheál Martin:** I asked the question yesterday, but I did not receive the answer.

**Deputy James Reilly:** The Deputy should ask the men beside him.

**Deputy Micheál Martin:** The Taoiseach should correct the record.

**Deputy Robert Dowds:** Will the Deputy tell the truth about the Mater hospital site?

**Deputy Micheál Martin:** The Minister commissioned an independent report on the Mater hospital site. After it was published, he said he was fully satisfied that the site was suitable.

**Deputy Bernard J. Durkan:** Where does the Deputy want the hospital to be located?

**Deputy Micheál Martin:** The Government stood over the Mater hospital site.

**Deputy Emmet Stagg:** The Deputy should ask Bertie about it.

**Deputy Micheál Martin:** The Government approved it following a review by international experts.

**Deputy Ciarán Lynch:** What about the Amgen site in east Cork?

**Deputy Micheál Martin:** The Deputies opposite cannot use that one. They should not try the old game.

**Deputy Dinny McGinley:** The Deputy is the old game.

**Deputy Micheál Martin:** The Taoiseach is guilty of misleading the House. Will he answer the basic question? Has Mr. Fitzgerald been approached?

**Deputy Emmet Stagg:** The Deputy wants to airbrush the past.

**Deputy Bernard J. Durkan:** Where does he want the hospital to be located?

**The Taoiseach:** Deputy Micheál Martin asked me two questions. He asked me whether the Government had commissioned an independent report-----

**Deputy Willie O’Dea:** Did someone approach Mr. Fitzgerald?

**The Taoiseach:** -----and the answer to that question is “No.”

**Deputy Micheál Martin:** I want the Taoiseach to answer the question I asked yesterday.

**An Ceann Comhairle:** The Taoiseach to continue, without interruption, please.

**Deputy Micheál Martin:** I apologise, a Cheann Comhairle.

**The Taoiseach:** The Deputy asked me whether any Minister had commissioned another independent report and I said “No.”

**Deputy Micheál Martin:** The question I asked the Taoiseach yesterday is on the record of the House in black and white. He should not paraphrase it.

**An Ceann Comhairle:** Will the Deputy, please, allow the Taoiseach to reply to the ques-

tion?

**Deputy Micheál Martin:** I asked if any Minister had asked any person-----

**Deputy Ray Butler:** The Deputy must not lose his temper.

**Deputy Micheál Martin:** Did he or did he not?

**Deputy Ray Butler:** Temper, temper.

**Deputy Micheál Martin:** The Taoiseach should have respect for the House.

**The Taoiseach:** The Deputy asked whether the Government had commissioned an independent report on this matter. The answer is “No.”

**Deputy Niall Collins:** What about John Fitzgerald?

**The Taoiseach:** Deputy Micheál Martin also asked whether any Minister had commissioned an independent report on this matter. The answer is “No.”

**Deputy Niall Collins:** What is the story about John Fitzgerald?

**Deputy Micheál Martin:** Did any Minister ask an independent person to assess the sites?

**The Taoiseach:** The Dolphin report-----

**Deputy Micheál Martin:** What is the big deal? Did any Minister ask an independent person to assess the sites?

**Deputy Billy Kelleher:** Why will the Taoiseach not tell us?

**An Ceann Comhairle:** The Taoiseach to continue, without interruption, please.

**Deputy Micheál Martin:** We just want the truth.

**Deputy Willie O’Dea:** Who called John Fitzgerald?

**Deputy Billy Kelleher:** Was it the Tánaiste?

**The Taoiseach:** When Deputies keep interrupting, they sometimes prevent the truth from being heard. The Dolphin group combined planning, managerial and clinical expertise in the preparation of its report.

**Deputy Mattie McGrath:** Did the Government have Fungi?

**The Taoiseach:** The Deputies can read the report when it is published.

**Deputy Micheál Martin:** When will it be published? The Government will not publish it.

**An Ceann Comhairle:** The Taoiseach to continue, without interruption, please.

**The Taoiseach:** When the report is published, the Deputies will see it was right and proper for the Department of Health and the Minister to ask questions about aspects of the Dolphin report. As Mr. Fitzgerald said, that was done in an informal way. Deputy Micheál Martin should not run away with the illusion that the Minister for Health, Deputy James Reilly, any other Min-

ister or the Government as a whole commissioned an individual or individuals to make other independent assessments of the sites and locations mentioned in the Dolphin report.

**Deputy Billy Kelleher:** The Tánaiste is checking sites with a trundle wheel and a measuring tape.

**The Taoiseach:** There is only one process. It will be a lot more open than what went on before.

**Deputy Micheál Martin:** The Taoiseach should answer the question. Was an individual independent person approached by the Minister?

**The Taoiseach:** I have no interest in the games, the speculation, the rumours or the allegations being made. There is only one process.

**Deputy Micheál Martin:** There are no allegations. The Government's own spokesperson confirmed it last night.

**The Taoiseach:** Mr. Dolphin commissioned his report. He presented his report.

**Deputy Micheál Martin:** The Government's spokesperson confirmed to RTE last night that Mr. Fitzgerald had been approached.

**An Ceann Comhairle:** How many times do I have to ask the Deputy to stop interrupting?

**The Taoiseach:** The Minister for Health and his Department are entitled to assess that report and seek advice on and raise questions about aspects of it.

**Deputy Micheál Martin:** Will the Taoiseach answer the question?

**The Taoiseach:** The Minister will bring his recommendation to the Government which will make its decision about the national children's hospital.

**Deputy Micheál Martin:** Who asked John Fitzgerald to get involved?

**The Taoiseach:** The right site and the right location will be chosen in the best interests of all the children of the country.

**Deputy Micheál Martin:** The Taoiseach should have the good grace to correct the record of the House.

**The Taoiseach:** We have messed around for 30 years on this issue. We are going to do it - build it, finish it and leave it behind us.

**Deputy Micheál Martin:** The Taoiseach should have the good grace to tell the truth to the House.

**Deputy Dinny McGinley:** We will not be balancing the books behind closed doors either.

**Deputy Micheál Martin:** The Taoiseach is incapable of answering a simple question. A Government spokesman confirmed it to RTE, but we cannot get an answer here.

**Deputy Willie O'Dea:** He is still in *Stubbs Gazette*.

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**Deputy Gerry Adams:** Ní cheart go mbeadh an Taoiseach buartha faoin méid a dúirt ceannaire Fhianna Fáil. Tá fadhb níos mó ná sin i gceist. Is léir arís go bhfuil an tAire Sláinte ag titim ó géarchéim go ghéarchéim eile. Is í sin an fhadhb is tábhachtaí ar an maidin seo. I have been reflecting on what the parents of sick children must be thinking as they witness the latest outbreak of squabbling within the Government over the construction of the national children's hospital.

**The Taoiseach:** I am bringing clarity to the matter.

**Deputy Gerry Adams:** The leader of Fianna Fáil has no credibility on this issue, given how his party mishandled the issue.

**Deputy Niall Collins:** The Deputy should tell the Dáil about Jean McConville.

**Deputy Willie O'Dea:** He does not have much credibility.

**Deputy Niall Collins:** He is the biggest political fraud who ever walked in here.

**An Ceann Comhairle:** I will have to suspend the House if this racket continues.

**Deputy Niall Collins:** That is all right.

**An Ceann Comhairle:** Will Deputies, please, show respect for the person asking a question? I am serious about suspending the sitting of the House. Deputy Gerry Adams to continue, without interruption.

**Deputy Gerry Adams:** The fact is that Fianna Fáil mishandled the issue for five years. The Labour Party's need to brief the media about the Tánaiste's alternative report is clearly intended to appease those who expressed disquiet about the competence of the Minister for Health following the resignation of the former Minister of State, Deputy Róisín Shortall. This is no way to govern, especially on an issue as important as the health of children. The fact is that the Government has been in office for 18 months. Perhaps this is more important than the issue raised by the leader of Fianna Fáil. We have had two reports and a failed planning application, but no decision has yet been taken. Seven years have passed since the McKinsey report recommended the construction of a world-class children's hospital, with full specialist services, on one site. The existing children's hospitals have since been starved of funds and waiting lists are increasing. Parents and staff are to be commended for their fund-raising efforts. It is clear that the hospital has to be built on the best site possible. The Taoiseach told me yesterday that the decision would be taken in two weeks. Can he guarantee to families watching this debate that the decision will be taken within two weeks, that there will be no more delays and no more party politics, and that this project which is vital for the future well-being of children will go ahead?

**The Taoiseach:** Aontaím leis an ráiteas atá déanta ag an Teachta faoi na hargóintí a bhíonn ar siúl anseo. This is an important capital project. Even in these straitened economic times, the Government has put together a funding model which will see up to €500 million being released for the building of a national paediatric hospital. We hope it will stand the test of time for the next 50 years and beyond. It is only right and proper that the Government should consider this issue carefully, in the best interests of all children, before making a decision that can be followed through such that this becomes a reality. I commend the medical staff, the nurses and everybody else who has worked during the years in the hospitals in Crumlin and Temple Street and at other locations where children are treated. In many cases, they have done magnificent

and extraordinary work to deal with the difficulties experienced by children as very young babies and through childhood. It is only right and proper for individuals of such tradition, skill and expertise to be given an opportunity to work in a world-class facility. We are approaching the final stages of the process of making a decision and an announcement on where the Government intends to provide and build the hospital. I expect we will be in a position to make that announcement inside the next two weeks. Any outside speculation and allegation is of no interest to me. My sole interest here is having a Government decision done in the right way, for the right site, for the right reasons, and to get on with providing what is one of the major flagship projects for our country in respect of which a funding model for provision has been put in place. I hope we will be able to conclude and make our decision in the next two weeks. The Government will apply itself to making that decision, as I said, in the best interests of our country.

**Deputy Gerry Adams:** I welcome that very clear commitment. I am sure the Taoiseach appreciates that parents of sick children will be discommoded by the various spins in the media, not least that the Taoiseach's partners in government felt the need to brief on the alternative report and so on. There is not general confidence in the Minister for Health; in fact, this party has no confidence at all in the Minister for Health. We also have to appreciate the Dáil has yet to see the Dolphin report, we have yet to see the second report commissioned by the Minister and we may never see the Tánaiste's report.

The Taoiseach said yesterday there were some clinical matters and I would like him to elaborate on those. I reiterate my welcome for his very clear commitment to a decision within two weeks. However, can we get funding restored to those other hospitals for children which are under pressure between now and the actual building, or commissioning of the building, of the new hospital? This would alleviate the distress of the parents and the staff who, I agree with the Taoiseach entirely, are absolutely wonderful.

**The Taoiseach:** I can confirm to the Deputy that the number of children on waiting lists has been reduced by 800, even with the exceptional numbers who have left the health service through voluntary redundancy, retirement and so on.

There is no alternative report. Everybody who will be party to making the decision, following the recommendation of the Minister, is entitled to understand the implications, the scale and the challenge of the project that lies ahead. The Dolphin report will be published as soon as the Government makes its decision, everybody can read it and we will have an opportunity to debate these issues here.

**Deputy Micheál Martin:** Publish it now then.

**Deputy Stephen S. Donnelly:** What use is that?

**The Taoiseach:** In the meantime, clearly, the HSE and the Department of Health are conscious of the priority that has to be attached to the treatment of children and, indeed, every other patient. While times are tough and challenging economically, that is a matter the Minister and his two Ministers of State want to treat with sensitivity.

Again, Dolphin will be published as soon as the Government makes its decision. There is no alternative report. The numbers are down by more than 800 for children on waiting lists.

**Deputy Micheál Martin:** Stick to the mantra. Again, it is about the person.

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**The Taoiseach:** As I said, this is a major flagship project for the country. I expect Government to make its decision and announcement in the next two weeks to clear this up.

**Deputy Gerry Adams:** Outpatient lists for children have increased.

**Deputy Richard Boyd Barrett:** The Taoiseach was very pleased following the comments by Angela Merkel at the weekend that we were special.

**Deputy Bernard J. Durkan:** The Deputy is special.

**Deputy Robert Dowds:** Extra special.

**An Ceann Comhairle:** Will you give the man a chance to make his point?

**Deputy Richard Boyd Barrett:** The Taoiseach expected and expects the people of this country to feel pleased at these comments but, apart from the warm fuzzy feeling that we might be expected to feel after Angela Merkel's kind words, can he tell the teachers who are marching to the Dáil today, particularly the young, newly qualified teachers, what their new special status will mean? So far, their experience of being special is that if they start working as teachers this year, they are so special they will be earning 25% less than people they are working beside for doing precisely the same job, and they are so special they will earn €250,000 less over their working life, which is, by the way, the price of a house-----

**Deputy Emmet Stagg:** The Deputy's place cost a bit more than that.

**Deputy Richard Boyd Barrett:** -----because of their special treatment at the hands of the Taoiseach and the troika.

**Deputy Emmet Stagg:** A gated community in Dún Laoghaire.

**Deputy Dinny McGinley:** The gate house.

**An Ceann Comhairle:** Order, please.

**Deputy Richard Boyd Barrett:** The young people of this country are so special they have had their class sizes increased, their SNAs cut, their language support and resource teachers cut, their capitation grants cut and registration fees increased for third level students. Can the Taoiseach tell the teachers on the streets, the young people of this country and their parents that our new special status means there will be no further cuts to education at primary, secondary or third level and that he will reverse this unfair discrimination against young, newly qualified teachers, who are special?

**The Taoiseach:** The Minister for Education and Skills, given the constraints on the budget and the budgetary preparation he has to go through, brought in a new system where teachers starting the profession are at a lower salary or wage than those who had been in the system before. I listened to the secretary of one of the unions this morning say that the protest today was not about wages but about the education sector in general-----

**Deputy Joe Higgins:** Education cuts, actually.

**The Taoiseach:** -----and the anxieties and concerns about the education process. A discretionary allocation for supervision is now available to new teachers which was not available in February of this year because allowances were all suspended. That leaves teachers starting off

in the profession on a salary of €32,000 per year.

This is part of a very difficult situation for the country. Protests, as the Deputy is well aware as he is involved in most of them, are perfectly legitimate in Ireland, provided they do not get out of hand. While it is a challenging time for everybody, clearly, the Government has set a programme for recruitment of new teachers in the programme for Government and, because of the budgetary constraints set out, the starting salary for new teachers in the profession is reduced from what it was.

**Deputy Richard Boyd Barrett:** As a former teacher himself, does the Taoiseach think it is fair that young teachers coming into the profession this year should be working alongside people doing exactly the same job but be earning 25% less? Is that not straightforward wage apartheid? Is it not discrimination and ageism? Is it not completely unfair? Is not utterly unfair that the difference in earnings over the lifetime of those new, young teachers will be the price of a house? That is the difference. Are they to blame for the financial crash that has hit this country?

**Deputy Regina Doherty:** Fianna Fáil is.

**Deputy Richard Boyd Barrett:** Should they pick up the tab? Is it fair that our young people, students with special needs and those entering third level education should pay the bill for the gambling of speculators, financiers and bondholders that the Taoiseach and Angela Merkel are insisting they pay?

I ask the Taoiseach to tell those teachers, so they do not have to come out in protest and can concentrate on what they want to do, that he will reverse this unfairness and that the Minister sitting beside him, Deputy Quinn, will give a commitment there will be no further education cuts hitting primary, secondary or third level in the forthcoming budget? Can he give that commitment to us and to those who will be on the streets today?

**The Taoiseach:** Deputy Boyd Barrett should bear in mind that one of his group up there at the back is actually taking a case in the European Court to prevent the mechanism for funding this country from being put in place. It will be an interesting decision which the court makes and I understand all 27 judges are there.

**Deputy Richard Boyd Barrett:** That is just a loan shark operation.

**The Taoiseach:** As I said, the starting salary is €32,294 for teachers, which is a starting salary of €30,702 with an optional pensionable allowance of €1,592. I am advised by the Minister for Education and Skills that there are nine applicants for every teacher place. At least the decision gives clarity to new teachers and is an improvement on the pay situation of teachers who began employment in February of this year because allowances were all suspended and frozen.

*11 o'clock*

A total of 80% of the current budget of the Department of Education and Skills goes on the pay and pensions of teachers. There is little room for savings. As the Deputy is aware, teaching is one of the few areas within the public sector which does not face a moratorium on recruitment. With a growing school population, opportunities remain for employment. Since September, 355 new primary school teachers and 182 post-primary teachers have received new contracts. That is more than 530 new posts in the teaching sector, which is an important con-

sideration that the Deputy would not mention.

**Deputy Richard Boyd Barrett:** There are 10,000 extra pupils a year.

**The Taoiseach:** The Minister for Education and Skills has also pointed out that due to the demographics of the population and the growing school population that there will be a continuing need for additional teachers to be recruited in the medium term. I am also advised that the range of salaries and allowances is in line with the Croke Park agreement. As the Deputy is aware, I met with the implementation group and the Minister for Public Expenditure and Reform recently. The sectoral groups of the major Departments, including Education and Skills, have been meeting since then. They are discussing what can be achieved. In future, those are all matters that can be further discussed when we have rectified our public finances and we have a rapidly growing economy which will offer greater career and income prospects.

**Deputy Joan Collins:** The IMF has said-----

**The Taoiseach:** For now, what has happened is in line with the Croke Park agreement-----

**Deputy Joe Higgins:** What happened to the Labour Party's commitment to equality? That was one of its policy positions.

**The Taoiseach:** -----and 530 new jobs have been created since September.

**Deputy Emmet Stagg:** Let us have the revolution today.

**An Ceann Comhairle:** Shush.

**Deputy Billy Kelleher:** What about the Labour Party commitments this week in Trinity?

**The Taoiseach:** There is no moratorium in the area and there are opportunities for future teaching posts because of the rise in pupil numbers.

**An Ceann Comhairle:** Please, Deputies.

**The Taoiseach:** On the comment about teachers outside, the Minister is cognisant of the importance of the education system for the future development of the economy. He will do everything he can with sensitivity within the impositions on him.

**Deputy Billy Kelleher:** We had Leaders' Questions but no answers.

### **Order of Business**

**The Taoiseach:** If I might just say at the start of the Order of Business, I would like the House to know that I have informed the Opposition leaders, Deputy Martin and Deputy Adams, that I intend to make an announcement later today, along with the Tánaiste, on the appointment of Mr. Tom Arnold to chair the constitutional convention.

It is proposed to take No. 18, statements on European Council, Brussels; No. 19, statements on the economy; and No. 13, motion re Tribunal of Inquiry into the Fatal Shootings of Chief Superintendent Harry Breen and Superintendent Robert Buchanan, to be taken at 7.05 p.m.

tonight.

It is proposed, notwithstanding anything in Standing Orders, that (1) the Dáil shall sit later than 9 p.m. tonight and shall adjourn not later than 10 p.m.; and the suspension of sitting under Standing Order 23(1) shall take place at 1.30 p.m. or on the conclusion of the opening statements of No. 19, whichever is the later, until 2.30 pm; (2) the proceedings on No. 18 shall, if not previously concluded, be brought to a conclusion after 85 minutes and the following arrangements shall apply; (i) the statements shall be made by the Taoiseach and by the main spokespersons for Fianna Fáil, Sinn Féin and the Technical Group, who shall be called upon in that order and who may share their time, and shall not exceed 15 minutes in each case; (ii) a Minister or Minister of State shall take questions for a period not exceeding 20 minutes; (iii) a Minister or Minister of State shall be called upon to make a statement in reply which shall not exceed five minutes; (3) the following arrangements shall apply to No. 19: (i) the opening statement of a Minister or Minister of State and of the main spokespersons for Fianna Fáil, Sinn Féin and the Technical Group, who shall be called upon in that order and who may share their time, shall not exceed 15 minutes in each case; (ii) the statement of each other Member called upon shall not exceed ten minutes; and such Members may share their time; (iii) a Minister or Minister of State shall be called upon to make a statement in reply which shall not exceed ten minutes; (4) the proceedings on No. 13 shall, if not previously concluded, be brought to a conclusion after 25 minutes and the following arrangements shall apply: (i) the speech of a Minister or Minister of State and of the main spokespersons for Fianna Fáil, Sinn Féin and the Technical Group, who shall be called upon in that order, and who may share their time, shall not exceed five minutes in each case; (ii) a Minister or Minister of State shall be called upon to make a speech in reply which shall not exceed five minutes; (5) Private Members' business, which shall be No. 69 – motion re statutory sick pay (resumed) shall be taken at 7.30 p.m. or on the conclusion of No. 13, whichever is the later and shall be brought to a conclusion after 90 minutes.

**An Ceann Comhairle:** There are five proposals to be put to the House. Is the proposals that the Dáil shall sit later than 9 p.m. tonight agreed to? Agreed. Is the proposal for dealing with No. 18, statements on the Brussels European Council agreed to?

**Deputy Micheál Martin:** It is not agreed. My party Whip spoke to the Chief Whip on the issue yesterday. Unusually, because of the issues around the Council meeting there is a need for questions. Is the Taoiseach prepared to answer questions on the issues that emerged from the meeting at the conclusion of the debate? Given the seriousness of the issues, perhaps such an opportunity should be available. My party Whip spoke to the Chief Whip yesterday evening to ask that questions would be facilitated.

**The Taoiseach:** Twenty minutes are provided for a question and answer session.

**Deputy Micheál Martin:** Is that with the Taoiseach?

**The Taoiseach:** I do not know what my schedule is but I have no problem answering questions.

**Deputy Micheál Martin:** The Taoiseach says that repeatedly but invariably he never turns up to answer questions.

**The Taoiseach:** We are busy people.

**Deputy Micheál Martin:** The Minister of State, Deputy Creighton, answers the questions.

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**The Taoiseach:** I have a few questions for Deputy Martin as well.

**Deputy Micheál Martin:** That is fine. I will answer them a lot better than the Taoiseach will.

**The Taoiseach:** Deputy Martin will not because he cannot.

**An Ceann Comhairle:** Perhaps we could involve the Chair in the discussion.

**Deputy Emmet Stagg:** They are taking over the Whips' job.

**Deputy Micheál Martin:** Given the issues that have arisen in terms of dealing with the debt, the Taoiseach should answer questions for 20 minutes after the debate. That is all I seek.

**The Taoiseach:** I do not have a problem with answering questions from anyone on the European Council meeting.

**Deputy Micheál Martin:** But will the Taoiseach do so?

**The Taoiseach:** I do not know whether I have meetings scheduled but I will try to facilitate the House by being present.

Question, "That the proposal for dealing with No. 18 be agreed to," put and declared carried.

**Deputy Mattie McGrath:** That was simple.

**An Ceann Comhairle:** Is the proposal for dealing with No. 19, statements on the economy agreed to?

**Deputy Aengus Ó Snodaigh:** It is not agreed. This is a welcome opportunity to debate the state of the economy. I welcome the fact that the Minister for Finance will make the opening statement and thereafter spokespersons will have an opportunity to contribute. However, the intention is that other Ministers will then take part in the debate, which will be disjointed because there will not be an opportunity for spokespersons to respond to each Minister. The debate will be back and forth. No timetable has been supplied for when the other Ministers will contribute so it is difficult for the Opposition to line up spokespersons to reply in turn. I raised the issue last week at the Whips meeting. It would be a better use of the time and would allow for a better and more focused debate on the economy. At the very least it would be reasonable for us to be given an approximate time for when the other Ministers will address the Chamber in order for the debate to be more structured.

**The Taoiseach:** We do not like debates to be disjointed. As Deputy Ó Snodaigh is aware, the Chief Whip made it perfectly clear last week that given the schedule of events in Ministers' diaries that if Opposition spokespersons contact the Chief Whip's office they will receive the best estimate of when each Minister will make a contribution on the economic debate. That will give Sinn Féin and the other parties opposite time to adjust the speaking time of spokespersons in order that they can respond to individual Ministers. The speaking times will be available from the Chief Whip's office.

Question, "That the proposal for dealing with No. 19 be agreed to," put and declared carried.

**An Ceann Comhairle:** Is the proposal for dealing with No. 13, motion re tribunal of In-

quiry into the Fatal Shootings of Chief Superintendent Harry Breen and Superintendent Robert Buchanan agreed to? Agreed. Is the proposal for dealing with Private Members' business agreed to? Agreed.

**Deputy Micheál Martin:** The digital Taoiseach is as unable to answer questions as the analogue Taoiseach was. He should reflect on his answers this morning. There is never anything wrong with saying, "I got it wrong yesterday. I didn't answer a question I was asked." I asked about an independent-----

**The Taoiseach:** Sometimes one has to say "No."

**Deputy Micheál Martin:** No, sometimes one has to tell the truth and say it as it is. A person was approached, according to the Taoiseach, but he does not seem to be listening.

**An Ceann Comhairle:** This is the Order of Business, not----

**Deputy Micheál Martin:** May I ask the Taoiseach-----

**The Taoiseach:** Is the Deputy calling me a liar?

**Deputy Micheál Martin:** I am saying the Taoiseach misled the House yesterday, deliberately or otherwise.

**The Taoiseach:** Can the Deputy prove that?

**Deputy Micheál Martin:** I asked if the Taoiseach had approached an independent person-----

**An Ceann Comhairle:** This is the Order of Business. Please stick to Standing Orders.

**Deputy Micheál Martin:** I did ask. I can show it to you.

**An Ceann Comhairle:** We are not having a conversation across the floor. As this is parliamentary business, please adhere to the rules. This is the Order of Business. If the Deputy wants to ask a question about promised legislation, let him, please, do so.

**Deputy Micheál Martin:** The Taoiseach is engaged in this also.

**An Ceann Comhairle:** I address my remarks to everybody.

**Deputy Micheál Martin:** Today families have read reports that they face another major hike in their health insurance premiums. This will lead to more of them leaving insurance companies and plans because of an inability to pay. The Government made a commitment to the introduction of universal health insurance, but what is happening is contrary to the development of such a proposition, even if one did not like it. Will the Taoiseach indicate when the White Paper on health insurance is to be published and when the legislation required to progress the universal health insurance agenda, as contained in the programme for Government, will be pursued?

**The Taoiseach:** I cannot give the Deputy an accurate date. I read that story today, but at this stage it is purely speculative. The Minister for Health has not been informed and has no knowledge of any such hike in premium rates. The Minister has consistently raised the issue of costs with health insurers-----

**Deputy Micheál Martin:** Does the Taoiseach know anything?

**The Taoiseach:** -----and is obviously determined to keep these costs down. The Deputy asked when the legislation would be published. I cannot give him a date for its publication.

**Deputy Gerry Adams:** Ba mhaith liom fáilte a chur roimh an nuacht faoi Tom Arnold a bheith tofa mar Chathaoirleach ar an consitutional convention. Tá mé buíoch go háirithe don Taoiseach mar gur thug sé an scéal sin dúinn sa Teach seo. Cén uair an mbeidh an convention ag bualadh le chéile agus an féidir leis imeacht ón chathair seo? Tá a fhios agam go bhfuil an Rialtas ag smaoinreamh ar seisiún don convention i gCorcaigh, ach an mbeidh sé ábalta dul go áiteanna eile ar fud an Stáit. Go háirithe, an mbeidh sé ábalta dul go dtí an Tuaisceart?

**The Taoiseach:** Gabhaim buíochas leis an Teachta as an ráitis sin. Sílim go mbeidh an chéad cruinniú ar an Satharn deireannach de mhí na Samhna nó ar an chéad Satharn de mhí na Nollag. Is don Chathaoirleach nua agus don chomhairle an cinneadh a dhéanamh maidir le sin. Ní bheidh cosc orthu dul thar fud na tíre nó, go deimhin, dul suas go dtí Tuaisceart na hÉireann ach an oiread.

**Deputy Joe Higgins:** Yesterday the Minister for the Environment, Community and Local Government, Deputy Phil Hogan, stated in the Dáil that no details of the property tax would be forthcoming until the budget. However, the first or second item on RTE's "Six One News" was another Government leak indicating that the tax would be deducted at source from workers' wages.

**An Ceann Comhairle:** Will the Deputy, please, table a parliamentary question?

**Deputy Joe Higgins:** That at least explodes the myth that it is a broadening of the tax base. I have asked the Taoiseach many times, in regard to the Thornhill report, if working people and pensioners are to be troubled every week with new leaks about this new economic attack on them. Will the Government publish the Thornhill report and in the coming two weeks will the Taoiseach make time available in the Dáil for a debate on it and for the Minister to state precisely the Government's plans for the property tax, rather than have people subjected to these cynical leaks?

**The Taoiseach:** I have heard much speculation about this matter. The Government will make its decision on the property tax. It is a budgetary matter and will be mentioned on the day of the budget. The Thornhill report will be published subsequently and we will all have an opportunity to debate it comprehensively.

**Deputy Micheál Martin:** Paddy likes to know.

**The Taoiseach:** Anything the Deputy attributes to spokespersons or any other allegation is nothing more than that. The Government will make a decision and everybody will be perfectly clear on the matter.

**Deputy Joe Higgins:** Is the Taoiseach going to publish the report?

**Deputy Micheál Martin:** Of course not.

**The Taoiseach:** The decision was that property tax would apply from July next year. The Revenue Commissioners were asked to put in place the mechanics for it to work. The Thornhill report will be published when the Government makes its decision.

**Deputy Thomas P. Broughan:** When does the Taoiseach expect the Book of Estimates for 2013 to be published? As the Taoiseach knows, many have suggestions about a budget for next year that might banish austerity.

I refer to the pyrite panel. The Minister for the Environment, Community and Local Government has given another deadline to the builders, developers and insurance companies. Is this the final deadline? I read that the Minister had given a different ten-day deadline.

**An Ceann Comhairle:** That sounds like a Topical Issues debate matter.

**Deputy Thomas P. Broughan:** Hallowe'en is this day next week. Perhaps the Taoiseach might liaise with the Minister for Justice and Equality in this regard. Does every Garda district have a policing plan in place?

**The Taoiseach:** If the Deputy tables the last question as the subject of a Topical Issues debate, the Ceann Comhairle may allow it to be discussed, that being his responsibility. The Minister for Justice and Equality would be happy to respond to it.

The pyrite issue is of extreme concern to those who live in the houses in question. We have been raising the issue for many years. I can confirm that there has been a great deal of activity in the recent past and hope serious progress can be made. It is never the final question, if the Deputy understands me.

**Deputy Thomas P. Broughan:** There appears to be another deadline.

**The Taoiseach:** The Minister is serious about what he said and I do not expect that he will extend the deadline which I expect will be adhered to. The Minister and his Minister of State are focusing on the matter.

The Estimates will be published in advance of the budget. I will ask the Minister for Finance and his Department to confirm to the Deputy when they expect to publish them. I imagine it will be towards the end of November in good time for the budget.

**Deputy Pearse Doherty:** I refer to the legislation passed to centralise the system of student supports which was supposed to get rid of delays. We are almost into November and 20% of student applications-----

**An Ceann Comhairle:** I am sorry, but the Deputy is out of order.

**Deputy Pearse Doherty:** This relates to the legislation-----

**An Ceann Comhairle:** I have allowed this to be raised as a topical issue for debate today. In fairness to the Deputy who has raised it, I will not allow a debate on the issue now.

**Deputy Pearse Doherty:** I was unaware of that. I will refer to another item of legislation. The Taoiseach has often threatened to introduce legislation to allow the regulator to ensure additional charges or increased interest could not be imposed on persons struggling with their mortgages, yet since he made that claim, on two occasions AIB has increased its variable interest rate which exerts hard pressure. Does the Government have plans to introduce legislation to give power to the Central Bank to deal with this matter?

My second question relates to the budget which will be announced in December. We see from the report of the Society of St. Vincent de Paul that many families are planning their fi-

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nances for next year accordingly. Will the Taoiseach indicate whether this will be the last budget to be announced in the month of December? Is it the understanding that next year's budget will be announced earlier, both as a result of European rules and in consideration of the level of spending in the domestic economy in the month of December?

**The Taoiseach:** No decision has been made about the budget for 2013. The Government will decide the matter in due course.

Last year I wrote to the regulator on behalf of the Government about the banks. I made it perfectly clear that if the regulator required further powers or authority, the Government would be willing to grant them. The regulator responded to the effect that he did not consider it necessary at the time to look for increased powers from the Government. That is the current position. If we receive a request from the regulator for further powers in his dealings with the banks, the Government will respond positively.

**Deputy Joan Collins:** Continuing the theme of deadlines, the relevant advisory group was instructed to submit a report on the A, B and C case by 31 June last. This deadline was extended to 31 September, but we are still awaiting the report. Has the Taoiseach checked the position with the advisory group on when it proposes to bring forward the report?

**An Ceann Comhairle:** That matter should be raised in the form of a parliamentary question.

**Deputy Joan Collins:** Has a further deadline been imposed in respect of when the report should be submitted?

**The Taoiseach:** An extension of time was sought by and granted to the group responsible for compiling the report. The Minister has not yet received the report.

**Deputy Mattie McGrath:** Last week the Minister for the Environment, Community and Local Government, Deputy Phil Hogan, published a report, Putting People First - Action Programme for Effective Local Government. In the context of the local government reform Bill, I wish to-----

**An Ceann Comhairle:** Is the Deputy seeking a date for the introduction of the Bill?

**Deputy Mattie McGrath:** No, I wish to ask about a particular aspect of it in the context of the position in Tipperary.

**An Ceann Comhairle:** No, the Deputy cannot do that. He should submit a parliamentary question on the matter.

**Deputy Mattie McGrath:** I wish to inquire about the dual management system.

**An Ceann Comhairle:** When will the local government reform Bill be introduced?

**The Taoiseach:** Next year.

**An Ceann Comhairle:** The Deputy has plenty of time available in which to submit a parliamentary question on the matter.

**Deputy Mattie McGrath:** Good man. Go raibh maith agat.

**Deputy Michael Healy-Rae:** The Ceann Comhairle has ruled out of order the first matter about which I wished to pose a question, namely, when the White Paper on universal health insurance would be brought forward. People were already crippled by the amounts they were obliged to pay for private health insurance before this morning's announcement. However, I cannot speak on this matter-----

**Deputy Michael McCarthy:** The Deputy just did so.

**Deputy Michael Healy-Rae:** -----because the Ceann Comhairle has ruled it out of order.

**An Ceann Comhairle:** The Deputy has just spoken on it. He is a master at doing that.

**Deputy Michael Healy-Rae:** I hope the Taoiseach will do something because people are at their wit's end trying to pay for private health insurance.

**An Ceann Comhairle:** This matter will be the subject of a Topical Issue debate later in the day.

**Deputy Michael Healy-Rae:** The second issue to which I wish to refer is very important. It was raised last week and I would like the Taoiseach to provide an answer on it. I refer to the climate Bill and the fact that the weather has improved a little in recent weeks, which means farmers might be able to spread slurry.

**Deputy Michael McCarthy:** Is there a Bill on fine weather?

**Deputy Michael Healy-Rae:** Would it be possible to obtain a further extension in this regard for the hard-pressed farmers of the country?

**Deputy Michael McCarthy:** If there were such a Bill, there would be no amendments to it.

**An Ceann Comhairle:** Deputy Michael Healy-Rae should table a parliamentary question on the matter.

**Deputy Michael Healy-Rae:** farmers' slurry tanks are full and they need to be emptied. Will the Taoiseach make a statement on the matter?

**An Ceann Comhairle:** That is not in order.

**The Taoiseach:** The Minister for Agriculture, Food and the Marine raised this matter at a Council meeting in Luxembourg yesterday. As the Deputy is aware, he and the Minister for the Environment, Community and Local Government have already approved an extension in respect of slurry spreading.

**Deputy Mattie McGrath:** It rained during the entire period of the extension.

**The Taoiseach:** This is an issue of which the Minister for Agriculture, Food and the Marine will take account. In recent days I met members of the IFA in Paris at the SIAL food exhibition - one of the largest events of its kind in the world. This matter was also raised at the exhibition. I have passed the information on this matter to the two Departments involved.

**Deputy Michael Healy-Rae:** That is a good response from a Taoiseach who is proactive in dealing with matters of this nature.

**Deputy Seamus Healy:** This morning 24 patients are on trolleys in South Tipperary Gen-

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eral Hospital. Other patients are awaiting admission, a number of whom are in the accident and emergency department. When will the health (amendment) Bill be brought before the House? Will it provide for the reopening of the 31 closed beds in the hospital to which I refer?

**The Taoiseach:** The Bill relating to GP funding is due to be published this session.

**Deputy Aengus Ó Snodaigh:** The Department of Social Protection published a report yesterday. Is it intended to make time available to debate this report in the House, particularly the large-scale rip-off it has exposed? Is it envisaged that legislation will be introduced to better regulate the private pensions industry, particularly the fees and charges it imposes, unbeknownst to people and also the trustees of many pension funds?

**An Ceann Comhairle:** Is there promised legislation?

**The Taoiseach:** This is a major report and I commend the Minister for Social Protection, Deputy Joan Burton, for bringing it forward. There will be a debate on the report which contains a range of matters with which the Government will be obliged to deal. This area is a maze of confusion for thousands. Successive Governments have stated the administrative charges applied by pension funds are excessive. There will be an opportunity for the House to engage in a full debate on the report.

**Deputy Willie O’Dea:** On the same topic, I suggest the forthcoming consumer and competition Bill might, perhaps, be an appropriate vehicle to deal with this issue. Is the Taoiseach in a position to indicate when the Bill will be published?

**The Taoiseach:** It will be published this session.

### **Autism Bill 2012: First Stage**

**Deputy Michael McCarthy:** I move:

That leave be granted to introduce a Bill entitled an Act to provide for an autism strategy to be prepared and to provide for related matters.

**An Ceann Comhairle:** Is the Bill opposed?

**Minister of State at the Department of the Taoiseach (Deputy Paul Kehoe):** No.

Question put and agreed to.

**An Ceann Comhairle:** Since this is a Private Members’ Bill, Second Stage must, under Standing Orders, be taken in Private Members’ time.

**Deputy Michael McCarthy:** I move: “That the Bill be taken in Private Members’ time.”

Question put and agreed to.

**Credit Institutions (Stabilisation)(Amendment) Bill 2012: First Stage**

**Deputy Willie O’Dea:** I move:

That leave be given to introduce a Bill entitled an Act to make provision for the restriction and regulation of bonus payments made by credit institutions covered by the Credit Institutions (Financial Support) Act 2008 to employees of those credit institutions and to defer the payment of such bonus payments for a period of five years after the date upon which they have been earned in order to ensure that the bonus payments are justifiable and merited.

**An Ceann Comhairle:** Is the Bill opposed?

**Minister of State at the Department of the Taoiseach (Deputy Paul Kehoe):** No.

Question put and agreed to.

**An Ceann Comhairle:** Since this is a Private Members’ Bill, Second Stage must, under Standing Orders, be taken in Private Members’ time.

**Deputy Willie O’Dea:** I move: “That the Bill be taken in Private Members’ time.”

Question put and agreed to.

**Education (Resource Allocation) Bill 2012: First Stage**

**Deputy Charlie McConalogue:** I move:

That leave be given to introduce a Bill entitled an Act to make provision whereby the Minister for Education shall publish an annual education impact study on the effects his or her decision to reduce the annual resource allocation in schools will have on schools, such study to include details of the names of schools affected, the impact such changes will have on those schools, and to provide for a mechanism whereby the Principal of each affected school may appeal the decision to reduce his or her resource allocation, setting out the reasons for the appeal and to provide for related matters.

**An Ceann Comhairle:** Is the Bill opposed?

**Minister of State at the Department of the Taoiseach (Deputy Paul Kehoe):** No.

Question put and agreed to.

**An Ceann Comhairle:** Since this is a Private Members’ Bill, Second Stage must, under Standing Orders, be taken in Private Members’ time.

**Deputy Charlie McConalogue:** I move: “That Second Stage be taken in Private Members’ time.”

Question put and agreed to.

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## European Council Meeting: Statements

**The Taoiseach:** I am pleased to brief the House on the outcome of last week's European Council meeting in Brussels on 18 and 19 October. I am happy to report that the outcome of the meeting was very positive from both an Irish and a European perspective. At the insistence of a number of member states, including Ireland, we explicitly reaffirmed the commitment we had made in June to break the link between banking and sovereign debt and to provide for the recapitalisation of banks by the ESM. This will be done in full respect of the decisions taken in June. We agreed that legislation on the establishment of a single supervisory mechanism for banks was a priority and that the legislative framework should be in place by 1 January 2013, with work on the operational implementation to take place during 2013. As a result, a firm timeline is now in place. The supervisor will be up and running next year and we are further down the path towards a functioning and effective banking union. The objective is clear, but it must be based on quality and competence.

I said last week when I briefed the House ahead of the meeting that progress on banking union - especially the single supervisor - was of pressing urgency, not just for Ireland but also for the euro area, and that it was a priority issue for me. Last week's decisions are, therefore, particularly welcome and significant. It will, of course, be important to maintain the pressure for implementation and delivery. There can be no slippage or drift, particularly in view of the fact that over 6,000 banks across the eurozone will be involved. Maintaining momentum is important to the European Union's credibility and this will be a key focus for me in the period ahead.

The main focus of discussions at our meeting last week was on strengthening economic union, with a particular focus on advancing towards banking union as an essential element of this work. At the beginning of the meeting we heard the report of the President of the European Parliament, Mr. Martin Schulz. President Van Rompuy presented his interim report, which is based on the four essential building blocks he identified in June, namely, an integrated financial framework, or so-called "banking union", an integrated budgetary framework, an integrated economic policy framework and democratic legitimacy and accountability. His report was well received and we agreed that he should continue with informal consultations with member states and the European Union's institutions before making his final report in December. This will include a specific and time-bound roadmap for the way ahead. It will also include specific proposals. As part of his work he will explore, in particular, the possibility of having fiscal capacity for the euro area which, in practice, is another term for a possible eurozone budget and potential contracts between member states and the EU institutions, perhaps covering the country-specific recommendations. While these are interesting ideas, we need considerably more detail before we can assess whether they might have a contribution to make. We will continue to engage in these consultations constructively and with an open mind.

On banking union, the European Council agreed that we need to move towards a more integrated framework but one that will be open, to the greatest possible extent, to all member states that wish to participate. A considerable amount of our discussion focused on how to ensure that outcome, which is a particular concern of those member states that are not, as yet, part of the euro. As I have said, we agreed to move forward on the single supervisory mechanism as a matter of priority, with the objective of agreeing on the legislative framework by 1 January. Work on implementation will then take place in the course of 2013. In this regard, we agreed that protecting the integrity of the Single Market was crucial.

On bank recapitalisation, we agreed that the eurogroup will draw up the exact operational criteria “in full respect” of the June euro area summit statement. We restated the imperative need to break the vicious circle within banks and sovereigns and we reiterated that when an effective single supervisor is established, the ESM could have the possibility of recapitalising banks directly. As I have said, Ireland was part of a group of member states that insisted that reference be made to what was agreed in June to underscore that the commitments entered into at that time stand and that they will be fully respected in the work that lies ahead. At the meeting I raised the specific circumstances of this country and the need to fulfil the commitment to examine the sustainability of our programme as agreed in June. Our focus was on working through how the commitments on banking union in particular were to be advanced. However, as the House knows, I had a good conversation with Chancellor Merkel on Sunday evening in the wake of her comments about banks in Spain at her post-European Council press conference. I regret that some Members of the House and others chose to jump to the conclusion that these comments referred to Ireland, or that the June commitment with regard to Ireland was no longer valid. These comments were opportunistic and misguided and I hope that those who made them will use the opportunity of this debate to withdraw them. In my conversation with Chancellor Merkel, she registered a genuine appreciation of the steps the Irish people are taking to turn our economic situation around and her full support for our efforts to get back to the markets. Like us, she believes that a positive outcome for Ireland would be good news also for the euro area and the wider European Union. Her support is well expressed in the joint statement we issued after our conversation. It makes it clear that the commitments made to Ireland at the end of June stand, and that this vital work will be taken forward by the Minister for Finance, Deputy Noonan, and his colleagues in the eurogroup. The Chancellor was pleased to put on the record her recognition that Ireland is a special case and to state that this would be taken into account in the discussions ahead, within the mandate given to the Eurogroup.

I also had an excellent meeting with President Hollande in Paris on Monday. He, too, made his support for our case clear both in the meeting and in the subsequent press conference. He expressed in clear and welcome terms his appreciation for the special situation that Ireland faces - that we had moved early to put large amounts of money into our banks in the interests of wider stability in Europe’s banks and our common currency - and the need for the Eurogroup of finance Ministers to take this into account as it works out the modalities of how to implement the commitments agreed by all leaders in June. This is the mandate given to the Eurogroup. These statements are a welcome reassurance that, in keeping with the June agreement, Ireland’s particular situation will be addressed. As my colleagues in Government and I have said on many occasions, our goal is to secure the best possible deal for the people of Ireland, one that makes our debt more sustainable and our return to the markets more certain. We have agreement from our partners to work with us on this. The approach we are taking has yielded results and I am confident it will lead to a positive outcome. We appreciate that it will take careful and patient work, often behind the scenes and away from the glare of publicity. The negotiations are complex and sensitive and the stakes for our country are high. I will not say to the House that we will have a deal on our banking debt by a particular date, nor will I say how such a deal will be structured. The Government has always said that getting the right deal is better than getting a rushed deal. However, the very public acknowledgements by both Chancellor Merkel and President Hollande over recent days of our particular circumstances and the necessity for those circumstances to be fully taken into account as work is taken forward are, I believe, positive developments for Ireland and lend weight to the case we will continue to press.

The House will recall that in June we agreed the compact for growth and jobs. The compact

provides a very useful framework for actions at national and EU levels, which are directed at returning the Union to sustainable and job-creating growth. I argued strongly for an emphasis on the growth and jobs agenda to match the necessary focus on structural reform and consolidation. We have always spoken up for a balanced approach and I indicated that this would be a priority issue for our forthcoming Presidency. In that context, I warmly welcomed the return of the leaders at last week's meeting to review implementation.

With the compact, as in other areas, it is imperative that what is agreed at the level of Heads of State and Government is actually implemented, and without undue delay. As I have said in this House previously, this is a matter of credibility for the European Union. What we agree must be implemented. I made this point clearly to my colleagues in Brussels last week, as did a number of other leaders.

I am glad to report to the House that considerable progress has been made in taking forward the various elements of the compact, but it was also made clear - including through presentations by President Van Rompuy, the Cypriot Presidency and President Barroso - that more needs to be done if it is to realise its full potential in boosting growth and achieving an environment for the creation of sustainable employment across the European Union.

In advance of this summit meeting, we sought to strengthen the language on the need to take further steps to see the Single Market - especially in the digital area - deliver the growth potential that I am certain it holds. We must complete work on the first set of measures under the Single Market Act - due to be agreed by the end of the year - while taking forward work on the second set of measures recently published by the Commission. This work will be an important component in our Presidency workload during the first half of 2013. Research and innovation, through the new programme, Horizon 2020, as well as through the new programme for competitiveness of enterprises and SMEs, will contribute significantly to converting research and innovation into competitive advantages from which European business can benefit, thus supporting European employment.

An area that I was keen to see properly recognised in our conclusions on the compact for growth and jobs was the potential of trade as a real engine of growth. As a trading nation, we know well the critical importance of trade to our economic well-being. Indeed, our recovery thus far has been export-led and I intend to do everything possible to see the Union's trade opportunities pursued vigorously. I am satisfied that the European Council called for progress over the coming months in progressing free trade agreements with Japan, Canada and Singapore. I am delighted that European leaders have committed the European Union to working towards the goal of launching negotiations on a comprehensive transatlantic trade and investment agreement during 2013. It will not be concluded in 2013 but it will tally very closely with the priority we will be giving to developing EU-US trade during the term of our Presidency next year. These efforts will include the hosting of an informal ministerial meeting here in Dublin on this theme during the spring. In truth, each aspect of the compact supports Ireland's vital national interest. We understand and appreciate that recovery in Ireland depends significantly on recovery in Europe. We now need to make a reality of the compact; yet again, we need to implement it and be seen to do so.

On Friday morning last, leaders had a good exchange on the EU's relations with its strategic partners, most notably China. This kind of discussion - especially one in which we are not trying to reach agreement on conclusions or on an outcome document - is especially valuable, as colleagues avail of the opportunity to share experiences with a genuine view to strengthening

the Union's hand in our external engagements. There was a general sense that we need to do more to ensure our approach at bilateral level is consistent with that being pursued at EU level. This makes good sense. Our approach in engaging with China across the broad range of issues needs to be an open and constructive one. For my part, I shared with my colleagues our recent experience in our engagement with China, including the high-level visits in both directions. We look forward to developing our bilateral relations with China as well as advancing EU-China relations during our Presidency.

Before concluding our meeting on Friday, we also adopted a comprehensive set of conclusions on a range of foreign policy issues which are currently pressing. The European Council took stock of the deteriorating situation in Syria and endorsed the conclusions reached by EU Foreign Ministers, including the Tánaiste on behalf of Ireland, at the meeting of the Foreign Affairs Council in Luxembourg on 15 October. The High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, gave a detailed briefing to the meeting about persecution of religious minorities and other issues pertaining to Syria. With regard to Iran, we expressed our serious and deepening concerns about that country's nuclear programme. We reaffirmed our commitment to a dual-track approach of restrictive measures as well as efforts by the High Representative to engage Iran in meaningful and constructive discussions. The situation in Mali and the Sahel region was addressed, with the European Council expressing its serious concern at the continuing political, security and humanitarian crisis in that area. This matter was raised by President Hollande in his contribution.

Before concluding, I note that last week's European Council also adopted conclusions recognising the award to the European Union of the Nobel Peace Prize. I warmly welcome the award. It is a reminder to us at a time of real challenge that earlier generations of Europeans came together to build, out of the rubble of the devastation caused by the Second World War, a new kind of community and union which would bind the states of Europe together for our common good and an area of peace and prosperity that our Continent has never before seen. This is a perspective we need to keep in mind as we deal with our difficulties today. Europe together and united has, in the past, overcome existential challenges. Similarly, we will see our way through this current crisis, working with our partners in a true spirit of co-operation and solidarity.

**Deputy Micheál Martin:** Europe is in the middle of the largest economic, social and political crisis since the Second World War. Last week, its leaders met and again failed to show the ambition or urgency that are so badly needed. No significant step forward was taken on a single matter. The final communiqué is a long repetition of statements that have been made previously, with a number of small exceptions representing areas where backward steps have been taken. The summit has been followed by near panic as the ongoing strategy of over-spinning everything and failing to undertake serious negotiations threatens to undo completely Ireland's interests. The rearguard action of recent days has done nothing to challenge the basic fact that the supposed campaign for debt relief for Ireland has been nothing of the sort.

Thankfully, the Taoiseach has finally put aside his partisan obsessions and shown a willingness to state publicly what he rejected previously, namely, that Ireland incurred significant debts solely as a result of the lack of European Union policies and because it showed solidarity with the rest of Europe. On Monday, he stated: "Ireland was the first and only county which had a European position imposed upon it, in the sense that there wasn't an opportunity if the Government wished to do it their way by burning bondholders." He is correct on this matter and it is a great pity it has taken him more than a year and a half to say this. Who knows how much he

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previously set back our case through his unwillingness to make this admission? Despite the Taoiseach's spin, the truth has become obvious. A policy of sitting on the sidelines and hoping something will turn up and failing to speak to people before summits or even state his specific negotiating objective does not amount to a campaign.

The Taoiseach stated the summit agreed to implement fully the deal agreed in June. In fact, it stepped back from the June deal. He did not outline in any specific way what the deal means because he does not know what it is and there is no agreement among member states as to what exactly it means. While it was important and is full of general commitments to actions which are badly needed, nearly every element of the specifics remains to be agreed. This is the reason there have been months of confusion.

It is rich for the Taoiseach to blame the Opposition for the events of last Thursday, Friday and the weekend. It was Chancellor Merkel's comments after the summit that created considerable doubt.

**The Taoiseach:** About Spain.

**Deputy Peter Mathews:** We must set aside partisan politics.

**Deputy Micheál Martin:** I am trying to do so.

**Deputy Peter Mathews:** The Deputy is returning to them.

**Deputy Micheál Martin:** The Taoiseach raised this issue when he asked members of the Opposition to withdraw comments they made. I was reasonable on Thursday and Friday last when I sought clarification on Chancellor Merkel's comments. However, it was the Chancellor's officials who confirmed that her comments applied to Ireland and nothing she has said since in any way contradicts that view. She has not said her comments in the aftermath of the summit did not apply to Ireland.

Germany, the Netherlands and Finland have a fundamental problem with the European Stability Mechanism retroactively or retrospectively financing debt.

**The Taoiseach:** For the Deputy's information-----

**Deputy Peter Mathews:** Maybe they are saving the fund for the German banking collapse.

**Deputy Micheál Martin:** That is possible. Who knows?

**An Ceann Comhairle:** Deputies may not engage in a discussion during statements.

**Deputy Micheál Martin:** Before discussing the detail of what Ireland should be seeking, we should note that it is factually untrue for the Taoiseach to state the June deal has been reaffirmed in full. The summit conclusions involve two significant dilutions of the deal. It was agreed in June that the new supervisory regime for banks would be in place by 1 January 2013. Last week, however, it was agreed only that a legislative framework would be agreed by 1 January next and implementation would take place during 2013. It was also reiterated that ESM money will not be made available for bank debts until the new system is fully up and running. This will delay significantly even the possibility that the European Stability Mechanism will fund Spanish and Irish bank debt. This development could have a major impact on the costs faced by Ireland when we return fully to the sovereign debt market.

The Taoiseach should not pretend that everything is on track when that is not the case. Implementation of the June deal has been delayed by up to a year. The summit also stepped back on the issue of a common bank resolution regime and deposit insurance. These measures will be essential if banks in all parts of the European Union are to see a restoration of confidence and bank lending is to be rebuilt. It was understood in June that a common regime was to be proposed. Last week, the common regime was reduced to merely a harmonisation of national policies, a major step back from one of the most important parts of a banking union.

Chancellor Merkel states at a press conference that historical bank debt would not be covered by the European Stability Mechanism. She is fully entitled to state this is her understanding of the position given that the deal is so vague. Nothing in Sunday's rushed statement has seen her or Germany back off this basic statement. We know Germany likes and admires Ireland and recognises that we are in a unique position. We also know the German Finance Minister, Wolfgang Schäuble, will come to Ireland on Monday and make nice, pleasant comments about us. However, we do not know what Germany and other countries will agree in terms of the contents of the banking union or European Stability Mechanism.

In June it was agreed that something should be done. Since then, the deadline for doing something has been moved back and we are no wiser as to what exactly is this "something". Too much damage has been done in recent years by leaders systematically exaggerating agreements. This practice needs to stop. A good start would be if the Taoiseach were to put aside the empty formulas and casual exaggerated claims which fill his statements on Europe and started to be open. Since it became obvious last July that he is reluctant to engage in the type of diplomatic activity undertaken by other prime ministers or his predecessors, I have tackled him on the issue. Day after day he informed the House that everything was fine and was being left to others. Last week, we saw the outcome of this approach when the Germans briefed that they would not be accountable for his Government's spin.

There is also clear evidence that a solid core is not engaging with Ireland's case. The Tánaiste told us he was certain the game had been changed in June, even though he left the meeting early and was not involved in the deal. In a final show of the Government's effort to shore up its flanks, the Minister for Communications, Energy and Natural Resources, Deputy Rabbitte, was sent out to do what he does best, namely, attack everyone else.

The briefings after Sunday's telephone call and Monday's 45 minute meeting in Paris were typically euphoric, with advisers doing the rounds and speaking of a great victory, incredible personal chemistry and games being changed once again. Given the history of massive overclaim about every small diplomatic encounter, there is no reason to believe any of this until the Taoiseach is honest enough to state what he has sought. The basic point is that Ireland is seeking the assistance of the European Union to make its debts more sustainable. What does the Government believe this means? What is its definition of "debt sustainability"? Surely this should be at the centre of every financial plan and budget measure.

In the past 18 months, the Taoiseach has delivered many speeches praising himself for turning everything around and delivering us on the fast track to sorting everything out. Unless he has been telling the House untruths during Question Time and statements, this has been his message at every summit and meeting with a foreign leader. European leaders hearing this would surely be forgiven for believing the Government considers our debt to be sustainable as currently structured. Let us remember that what is being discussed is sustainability rather than simply making things easier.

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The Government has made a series of contradictory statements over the past 18 months as to what are its core objectives. The Minister for Finance, Deputy Noonan, originally stated the main concern was the interest rate on the promissory note. When it was pointed out that this was returned to the Government through the Central Bank, he moved on and announced in Washington that he would burn many more bondholders. We were then told it was not the bondholders that mattered but the interest rate on EU loans. When we secured a reduction of four times what we were seeking as a result of Greece's requirements, the Government announced victory and returned to discussing the promissory notes.

Does the Taoiseach remember the much heralded technical paper? That never appeared, and briefings stopped on our supposed promissory notes campaign. In June, Spain and Italy refused to let a summit finish without a deal on their funding needs. Ireland had done such little preparation and expected so little, the Tánaiste went home early. The statement that our debt sustainability would be examined and that we would be treated equally was and remains welcome. What was and remains a major error was the failure to do the advance work to get an understanding of what that meant.

In the case of Spain, it is clear what it wants. It wants the ESM to recapitalise its banks to an amount of over €50 billion and to take the associated risk. That is known to everybody. It is also clear what Italy wants. It wants the ESM to be open to purchasing its sovereign bonds to reduce interest rates. That is known to everyone.

What is Ireland looking for?

**The Taoiseach:** The maximum amount.

**Deputy Micheál Martin:** Our situation is different from that of Spain, and not just because, as the Taoiseach finally admitted on Monday and it is worth repeating because of its significance, "Ireland was the first and only country which had a European position imposed upon it in the sense that there was not the opportunity, if the Government so wished, to do it their way by burning bondholders."

**The Taoiseach:** You panicked.

**Deputy Micheál Martin:** That was the first time he had put that on the record.

Are we looking for the ESM to buy our stakes in AIB and Bank of Ireland? Are we looking for the ESM to finance our repayment of the promissory notes? Are we examining all parts of bank-related debt or just the bank shares? What is the Government's definition of "sustainability"? Unlike Spain, we are not looking for extra capital to be put into our banks. They have enough capital; they have been recapitalised. It is arguable that they are perhaps among the best capitalised in the international system because of the State's investment. The book value of the State's capital in the banks is just over €29 billion. The ESM purchasing that from us would be done only at current market prices. Given that the investment is booked as an asset in our net debt figures, selling it would either have no impact on our net debt or it would make it worse by forcing us to book a loss at close to the bottom of the market. Money saved in interest payments might be significant, but there is no indication whatsoever how much is involved or the technicalities of that.

Unlike the Spanish Government our Government has failed to provide even the most basic information on what is being discussed or its implications. Regarding the promissory notes,

it is my understanding that at a minimum those countries involved in the Helsinki statement believe that this is a matter purely between Ireland and the European Central Bank. They do not believe it is a legitimate use of the ESM and they do not believe that there is any legitimate expectation on this front contained in June's deal.

On a number of occasions recently, the Taoiseach has deliberately misquoted me in exchanges here. He did so again yesterday with his claim that I said it would be easy to get the European Central Bank, ECB, to restructure the promissory note.

**The Taoiseach:** Last week you did.

**Deputy Micheál Martin:** The record shows I said nothing of the sort.

**The Taoiseach:** Read your speech of last week.

**Deputy Micheál Martin:** I have.

**The Taoiseach:** You said it would be easily restructured.

**Deputy Micheál Martin:** No. You have an awful habit, Taoiseach, of deliberately misleading on what other people say. I said they could be restructured easily if the ECB agreed, which is a factually accurate statement. The fact that Mario Draghi and others are opposed to the restructuring is clear. What is not clear is the Government strategy for dealing with it.

When the 2012 promissory payment was converted into a sovereign bond financed by Bank of Ireland, the Government claimed it was a huge step forward. It was nothing of the sort. It converted a note whose interest was returned to the State into a long-term bond requiring interest payments.

Ireland does not want the ESM involved in re-financing the promissory notes. At the very least it wants the terms of the notes extended significantly. In light of what even the Taoiseach now admits were the unique circumstances faced by Ireland, which obliged the creation of the promissory notes, significant relief from these payments is the minimum we should be demanding.

The summit's other conclusions contain a long list of items which add up to very little progress. Regarding the future of the Economic and Monetary Union, EMU, a negotiating framework will be agreed in December by which time it is hoped the Taoiseach will finally have outlined Ireland's position for the future of the EMU.

In discussing measures to encourage growth, the summit produced a lot of high talk but little substance. None of the measures involved allow a stimulus which is in any way in proportion to the crisis being faced in many parts of the Union today.

Regarding the European Investment Bank, the expansion of its capital base is welcome. The fact that much of the potential new lending will go directly onto country's debt figures means it is of limited potential benefit. However, it would be welcome if the Taoiseach and the Minister for Finance outlined what Ireland is proposing to do to benefit from a share of the potential €60 billion in extra investment over the next three years.

This was a summit which mainly reiterated a general deal made in June but stepped back on a number of important areas. Uncertainty as to what exactly has been agreed remains, no matter

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what the Taoiseach and his press operation says and spins. When the new system comes into operation what will be the benefit to Ireland is unknown. Amazingly, what is also unknown is exactly what Ireland is asking for.

I suggest it is time to put aside the generalities and the constant over-claiming of every development. Now that we have a consistent story from the Government on the unique circumstances which mean Ireland should be helped, it must state clearly what it is looking for. What is the sustainable level of debt and what European assistance are we looking for?

**An Ceann Comhairle:** I call Deputy Gerry Adams who I understand wishes to share time with Deputy Seán Crowe.

**Deputy Gerry Adams:** Yes. Yet another summit has come and gone and our debt remains intact and the economic distress and social disadvantage of many of our citizens increases on a daily basis. I know the negotiations are ongoing, they have yet to conclude, and there will be ups and downs during that process. Sinn Féin's position is to support the Government's efforts, but that includes being critical in a constructive way when that is appropriate.

The fatal flaw in the Government's approach to these negotiations is that it has never had a clear strategy regarding the bank debt. It has never acknowledged that this debt cannot be paid. Last January, when I challenged the Taoiseach about the payment of Anglo bondholders, he berated me by saying that we will not have "defaulter" written on our foreheads, we will pay our way, we have never looked for a debt write-down. He moved at that time to reassure the markets and our friends in the European Union that Irish citizens, irrespective of the human price and the social consequences, would pay the banking debt.

The Minister of State, Deputy Hayes, has a different position. He accepted last week that the current debt position is untenable. Yesterday, the Taoiseach pointedly refused to endorse the Minister of State's view and that of the Minister, Deputy Quinn. Why? Those colleagues have simply stated what everyone knows to be the reality. Why does the Taoiseach not acknowledge this reality? How does he expect to secure the maximum write-down on bank debt or achieve a deal on the legacy debt if he keeps saying that the State can pay its way?

In June, the Taoiseach sat back and hoped that the leaders of Spain and Italy would negotiate a deal from which this State would benefit. That is fair enough, but when an agreement was reached the Government over-sold it and claimed that a deal had been done on Irish legacy bank debt. The Taoiseach said it was a seismic shift. The Tánaiste said it was a game changer. The Tánaiste went even further and claimed that a deal on legacy debt would be concluded by October, as did the Minister for Finance. Irish legacy debt was not even mentioned in the June statement.

It is important that the Taoiseach takes the opportunity today to acknowledge the blindingly obvious, namely, that no deal was done and this debt is not payable. I gave him that opportunity yesterday. He stayed silent. I invite him again to clarify that today. He now says that he supports the separation of bank debt from sovereign debt. That contradicts what he has said previously but it is good that he has changed his position, and I welcome that, but he must deliver on it. There is no point in just saying it; he must follow through on it.

Throughout this process the Government has promised much but delivered little. Three months after the June summit we still do not have a commitment that the burden of legacy banking debt will be lifted from Irish citizens. The debate has been reduced to dictionary definitions

of “special” and “unique” amid conflicting spins from Government sources in three states.

In addition, there is still no progress on the promissory note payments. Two payments totaling €6.2 billion will fall due next March because of the smoke and mirrors manoeuvre cooked up by the Minister for Finance last March. That is €6.2 billion of taxpayers’ money, and twice what he will take from December’s budget, going into a toxic criminal bank.

*12 o’clock*

At our recent engagements with the troika, it said there was no indication of any imminent deal on the promissory note. What is the real timeline for this process? Of the €67 billion borrowed from the troika, €64 billion has been given to the banks. The Government, despite its pre-election commitment that not another red cent would go to the banks, has already paid them €20 billion.

The Taoiseach’s primary objective must be to remove this debt from the shoulders of Irish citizens, not to make it more sustainable. I am aware of a case of an 80 year old partially sighted woman living outside Drogheda who recently had a hip replacement operation and, subsequently, has limited mobility. The Health Service Executive allocated her a home-help package of 30 minutes a week. The director of Older and Bolder has warned that the Government’s cuts will devastate the prospect of safe and healthy aging at home and actually contradict Government policy of supporting people to age safely at home.

These measures are not the only ones hurting citizens. We have had a succession of punitive measures that reduce wages, child benefit payments, disability payments and social welfare. There have been attacks on social provisions for carers, older citizens and even the blind. An additional range of stealth taxes, including the household charge, the universal social charge, VAT increases, septic tank charges and more, have eaten dramatically into the incomes of families. Yet, at the beginning of this month, the Government paid €1 billion to unsecured bondholders in AIB.

It is little wonder that the banks fail to live up to their social responsibilities. Why should they when the Government keeps rewarding bad behaviour? We need the Taoiseach to be strong on these issues, to go beyond rhetoric and negotiate in a robust way. Sinn Féin wants the Government to succeed as we believe this is beyond party politics and the advice we offer is given in good faith. We firmly believe in our suggestions; they are not point scoring. This has to be about removing a bank debt which will allow the State to grow its way out of the economic crisis. Our inability to pay this private banking debt gives the Taoiseach considerable leverage by the simple fact that this debt is not payable. We cannot afford it and we ask the Taoiseach to make this clear. He must position his negotiating strategy and tactics on that reality.

I must also record my concern at the EU’s failure thus far to respond adequately to the humanitarian crisis in Mali and the Sahel region. More needs to be done. The EU, with its considerable resources, has a clear duty to assist citizens in that region.

**Deputy Seán Crowe:** Last week, before the European Council meeting, I asked the Taoiseach, on behalf of the Irish people, to try his hardest to ensure he got a deal which would solve our unsustainable debt crisis. A week later, the summit has come and gone but no deal has been made to solve the crisis facing people across Europe. At last week’s summit, behind all the spin, doublespeak, mixed messages, confusion and German mood changes, the fact remains the Taoiseach and his negotiators failed to deliver a deal for Ireland on debt as well as the over-

riding political necessity of separating sovereign and private debt. Many commentators have suggested the Taoiseach did not even succeed in getting it on the agenda for negotiation.

An information gap now exists following that meeting. Uncertainty will undermine confidence and lead directly to an increase in the cost of borrowing. Will the Taoiseach accept there is more uncertainty following the summit than prior to it? Time is not on our side. We have a debt timebomb ticking away. More than €6 billion is due to be paid on a promissory note next March - €3.1 billion to Anglo and €3.1 billion to Bank of Ireland for the one-year bond used to cover a 2012 promissory note payment. Would the Taoiseach describe the summit's outcome, including the mixed messages, as adding to any certainty or confidence in the markets which we are proposing to go back to in 2014?

All we seem to have learned since the actual summit is that the German and French Governments have agreed that Ireland is a special case. What does that mean?

**Deputy Dara Murphy:** It is pretty significant stuff.

**Deputy Seán Crowe:** Are we supposed to say “Yippee”? Will it be a great relief to anyone struggling with a mortgage, trying to get a job, pay bills or just trying to get through the week? Well-meaning statements from Europe and its leaders without actions mean nothing. There is some suggestion Ireland may be treated differently with the European Stability Mechanism. I do not believe that can happen. Could a special deal be done on the promissory note? What everyone wants to know is will there be deal on legacy debt, when will that deal be struck and what will be the scale of recapitalisation into the pillar banks.

Much was made of the deal done at the European Council summit in June. People spoke about a seismic shift and game-changer in EU policy. We were told a deal was done and dusted and would be signed off by October, almost certainly before the budget. We are no closer to confirming a deal on our legacy debt than last June. In fact, the situation is less certain than the Government claimed in June. The whispered words of support are the pat on the back outside meetings. What seems to be happening is there is growing opposition to a deal on legacy debt. Merkel has her elections in autumn and we have our €6 billion plus mountain to climb or fall of in March. Yet, the Taoiseach still claims the June deal stands. If that is the case, why will other EU leaders not clearly state this?

**Deputy Dara Murphy:** Apart from Germany and France.

**Deputy Seán Crowe:** The Taoiseach does not appear to have been proactive in building political support for an actual deal.

**Deputy Dara Murphy:** Apart from Germany and France. There are statements from Angela Merkel and François Hollande.

**Deputy Seán Crowe:** That is Deputy Dara Murphy's view but it is not other people's.

**Deputy Richard Boyd Barrett:** Through the Chair.

**Acting Chairman (Deputy Peter Mathews):** Deputies must address their comments through the Chair.

**Deputy Seán Crowe:** It is not clear what they have stated. Olli Rehn predicted a deal on Ireland's banking debt would be concluded before the end of October. He got it wrong.

Backsliding by other EU countries since June means that not a single element in the agreement has moved closer to implementation. We know ordinary people are struggling across Europe. Governments and their leaders are failing these people through their inability to deliver a deal on this mountain of debt. Just this week, the Irish League of Credit Unions pointed out that 1.3 million adults have only €50 left to spend after paying essential bills each month yet €20 billion has been given to the banks under the Government's watch. Does Merkel appreciate the sacrifices Irish people have made to save German bondholders?

The Government's procrastination over securing a deal on our debt is hurting ordinary families and households. It is not just an Irish problem now as it affects the whole of Europe. The most important job for the Government is to ensure private banking debt does not continue to impoverish more and more Irish taxpayers. We need a deal on debt soon, rather than rhetoric or unclear statements from European Union leaders. We need a real deal that will make a difference to struggling families throughout the State. I am keen to see the best deal delivered for the people. As I said last week, many Irish people believe that we do not have the best negotiators on our side. People have said to me that this is among their concerns. The "softly, softly" strategy we have adopted is not delivering for Ireland. The Irish national debt combined with the level of personal debt is unsustainable. A constituency colleague of mine, the Minister of State at the Department of Finance, Deputy Hayes, reiterated this point on "Prime Time". We need a deal on debt and we need certainty on whatever will be in the deal. We cannot afford to wait until March for clarity on any deal. That is my message and my view although perhaps others will disagree with it.

**Deputy Shane Ross:** I wish to share time with Deputies Donnelly, Healy and Collins in equal parts. There are some encouraging aspects to what has occurred in recent days in Europe, especially from Ireland's point of view. We learned belatedly that the Taoiseach has access to Angela Merkel and to the Élysée Palace and, therefore, that he has the ear of the most influential people in Europe. That was welcome but it appears he has access to Angela Merkel only in dire situations. She is the most powerful person in Europe.

It concerns me that whatever was achieved in that telephone conversation - we have no idea what this was and we will not be told - it is perfectly apparent that Ireland has now become a victim of internal German politics. If a hard line is being taken by the German nation as a result of the elections coming up there next year - this is what everyone on this side of the House appears to believe - then we must dance to the German agenda for almost another year but that is unacceptable. The Taoiseach ought to rethink his policy if that is the case. There is no guarantee that an election in Germany will let us off and whoever wins there is no guarantee that they will take a softer line afterwards. The Taoiseach and other Members are aware that there are some hardline political forces, especially in Bavaria, and that Angela Merkel is dancing to the Bavarian tune. By proxy, we will be dancing to the Bavarian tune as well.

Whatever the Taoiseach has achieved in the great diplomatic initiative he has taken in the past week we do not know, but at least he should address a dual policy. We are entitled to know more about what happened in that conversation and I will explain why. The communiqué issued was full of words that would make Alice from *Alice's Adventures in Wonderland* blush. I am unsure of the meaning of "unique" in this context. One could use that word and subsequently say one has said nothing. I am unsure of the meaning of the word "special" in this context as well. Similarly, one could use that word and then claim that one did not say this, that or the other. It is a neutral word. Spain was a special case as were Portugal and Greece and undoubtedly Ireland is a special case, but is Ireland an exception? Will Ireland be picked out

and informed that we will be helped in a different way from the others? That is what we need.

As other speakers have noted the Government is coming around to the conclusion that this debt cannot be paid back. If the Minister of State, Deputy Brian Hayes, and the Minister for Education and Skills, Deputy Ruairí Quinn said as much, presumably the Taoiseach has not admonished them for it.

If the debts cannot be paid back then we will have to ask in another such telephone call whether they will give us a reprieve on legacy debt. That is a yes or no question. Otherwise we must take the course of action often so eloquently proposed from here, that is, simply to say we will park the debt associated with the promissory notes and we will not pay on 31 March. That would give them five months, time enough to consider and focus their minds on the fact that we are not doing it nor will we be honouring what are supposedly our obligations to the bondholders. It could be a two-tier project. We could go one way or the Taoiseach could pursue his thus far fruitless diplomatic efforts, which may bear fruit, while at the same time pursuing a policy of not repaying the bondholders or Anglo Irish Bank's promissory notes.

**Deputy Stephen S. Donnelly:** There are three things to which I would like to draw the attention of the Taoiseach, the Tánaiste and the House. First, the amount of money at stake; second, the amount of that sum that this nation needs back to set us up for recovery; and third, a concern of mine, the danger of limited success. I will begin with the amount of money at stake. We have all referred to the €64 billion. We know it is made up of a little more than €30 billion for the promissory notes and €33.5 billion for the remainder in terms of capitalisation. A third amount is €17 billion on interest on the promissory notes. The logic we have heard is that we need not count this sum because we are paying it into the Irish Bank Resolution Corporation, IBRC, which we own. Anyway, I have tried to get reassurance and certainty from the Minister that this money will be left in the account when the IBRC's liabilities are discharged. The message I have heard back is that this figure cannot be calculated. It is possible that an additional €18 billion in interest could be added to the €64 billion sum on which we are agreed. It is possible that when IBRC's liabilities are fully discharged that money will not be there. This would bring the total cost of the bank recapitalisation to more than €80 billion. I wish to draw the attention of the House to that. It may end up being a good deal more than the €64 billion.

How much do we need back? Obviously, we would all like the full €64 billion or €80 billion back and I appreciate the Taoiseach is doing what he can to get as much of that back for the country as possible. The figures suggest that we need it all back. Our debt to GDP ratio next year will be 120%. More concerning, our debt to GNP ratio, a more suitable ratio for Ireland, for reasons relating to arrangements for multinational corporations, will be 150%. The literature suggests that an unsustainable rate kicks in somewhere between 80% and 120%. This depends on a range of factors. We are a modern sophisticated economy suggesting our tolerance for debt is higher than that of a transition economy. However, according to some reports when one factors in our household and corporate debt we are the most indebted nation on earth. Our tolerance for higher national debt arguably is a good deal lower by that measure.

Let us be as optimistic as possible. Our target could be a debt to GNP ratio of 80%. That would require a reduction in the debt of €95 billion. Obviously, we will not get that and I would never expect the Taoiseach to be able to secure that, but it sizes the amount we must reduce our national debt by to get back to sustainability. Let us consider the debt to GDP ratio. An 80% debt to GDP ratio is just about doable. This would require a return of approximately €64 billion.

This brings me to the danger of limited success. I passionately wish the Taoiseach the best of luck and support. I do not always agree with his approach but I hope the approach he is taking is the most successful one for the country. However, I remain concerned about limited success. Let us suppose the Taoiseach managed to get back €20 billion through the promissory notes or the ESM or another mechanism. There is a danger that we will get just enough to just about continue to service the debt, but at the cost of stagnation.

I use the analogy of a family renegotiating a mortgage with the bank. We know what the banks are doing at the moment. They claim they are restructuring and they are moving people onto interest-only mortgages. They may be looking at smaller capital repayments. What the banks are really doing is extracting every last penny they can get from the borrowers. They are not trying to put them on a sustainable path. I merely suggest to the Taoiseach, although it may sound slightly counter-intuitive, that we may be better off getting nothing and being forced into a unilateral action where we must impose a writedown to a sustainable level rather than getting just enough that it keeps us ticking along on the interest but, ultimately, we are stagnant.

I wish the Taoiseach and the Tánaiste luck. I welcome the comments of the Minister of State at the Department of Finance, Deputy Brian Hayes, and the Minister for Education and Skills, Deputy Quinn, and I hope it is the beginning of a robust approach from the Government.

**Deputy Seamus Healy:** The past week has read like a “Lanigan’s Ball” farce between Chancellor Merkel and the Taoiseach. The Government has failed in its request for relief from the burden of public debt arising from recapitalisation of the banks and the honouring of promissory notes to Anglo Irish Bank. Chancellor Merkel, after the EU summit, ruled out legacy recapitalisation by the European Stability Mechanism, and German officials insist, while vowing to look at improving Ireland’s EU-ECB sustainability programme, that it carries no obligation or deadline for action and no link to EU banking regulation or bank recapitalisation.

The first clarification, issued by the Chancellor on Saturday last, is meaningless, that Germany will support Ireland in achieving debt sustainability. Of course, Germany would already claim to be doing so. There is no commitment to retrospective recapitalisation of surviving Irish banks or to reducing the promissory note payments in the clarification.

The second clarification contained in the joint communiqué, issued by the Taoiseach and the Chancellor on Sunday evening, contained no retraction of the original Merkel position whatsoever. The two leaders reaffirmed the commitment of 29 June to task the euro group to “examine the situation of the Irish financial sector with a view to further improving the sustainability of the well-performing adjustment programme.” They recognised that “Ireland is a special case”, but no firm commitment to do anything except to examine the Irish financial sector was included. Unbelievably, yesterday another German official, Mr. Steffen Seibert stated that Ireland does not have “special status”; it has something called “special circumstances”.

As I stated, if the situation were not so serious these exchanges would be in the nature of a “Lanigan’s Ball” type farce. It is quite clear that Merkel’s clarifications are all plámas chun damullóg a chuir ar muintir na hÉireann. It is time to stop the repayments and to play hardball.

**Deputy Joan Collins:** Mr. Martin Wolf, a respected economic commentator with the *Financial Times*, in June last, wrote:

Before now, I had never really understood how the 1930s could happen. Now I do. All one needs are fragile economies, a rigid monetary regime, intense debate over what must be

done, widespread belief that suffering is good, myopic politicians, an inability to co-operate and failure to stay ahead of events.

We could not have a better description of the crisis that we are facing in the eurozone, now in its fifth year. At the heart of the crisis is a simple fact, that we do not know whether the eurozone's most powerful economy, Germany, is really prepared to do whatever is necessary to save the euro. We do not know whether it is prepared to take the risk of pushing Greece out. We do not know whether it regards Ireland as a special case because we do not know what "special" means. What we know is that a recession flowing from a financial crash can easily turn into a depression.

The euphoria, the frenzy of lending and borrowing, and the mad speculative risk-taking that takes place on the way up in this bubble are now replaced by their opposite after the crash. There is fear, massive de-leveraging, a refusal to lend, collapse in demand, collapse in investment, hoarding of capital and capital flows to safe havens throughout the world. Some \$32 trillion are heading into the Cayman Islands and Switzerland, with a potential \$280 billion worth of tax-take into revenue.

The only way to contain such depression is to increase State spending to offset private sector de-leveraging. What the eurozone needs is less austerity, expansionary monetary policies, stronger German demand, some inflation and collective backing of the financial system and some sort of euro bonds. What I speak about are measures which we know, from the 1930s and, indeed, from this crisis, are necessary to contain a depression in capitalism. I am not even talking about a solution to the fundamental contradictions contained within the system. Even if the measures required to limit the damage of the crisis are beyond the European elite, the eurozone is on a journey of a break-up that Germany shows little will to alter unless there is a change in policy direction, in tack and in targeting what needs to be done, that is, the creation of jobs.

The Taoiseach made a point about his conversation with Chancellor Merkel, that she registered a genuine appreciation of the steps the Irish people are taking to turn our economic situation around. The IMF says austerity is not working. In that regard, therefore, we are talking about crashing our economy. We have her full support for our efforts to get back to markets, but at what cost? It is at the cost to our citizens. I have made this point already in the Dáil. We have been cut to the bone. The Government is now chasing after the marrow, which is probably not there. We cannot take anymore. We must go the European Union and state we cannot pay this debt.

**Acting Chairman (Deputy Peter Mathews):** I now call on the Tánaiste and Minister for Foreign Affairs and Trade for his statement.

**Deputy Micheál Martin:** It is questions.

**Deputy Eamon Gilmore:** There are questions first.

**Acting Chairman (Deputy Peter Mathews):** I beg the Tánaiste's pardon.

**Deputy Micheál Martin:** Who is taking the questions?

**Acting Chairman (Deputy Peter Mathews):** Deputy Wallace.

**Deputy Micheál Martin:** There is a normal routine.

**Acting Chairman (Deputy Peter Mathews):** Okay.

**Deputy Micheál Martin:** I wanted to know who was taking them on the Government side.

**The Taoiseach:** I will take a question or two. I have to meet some people but I said I would be here for it, if Deputy Martin wants to ask a question.

**Deputy Micheál Martin:** I thank the Taoiseach.

My fundamental question is as follows: What, in essence, is the Taoiseach's definition of debt sustainability for Ireland and could he explain to the House exactly what he is looking for in the negotiations in the context of the euro group and the euro summits? According to the Taoiseach, Ireland is unique. I accept that because it had the European position imposed upon it which resulted in the sovereign having to take on the debts of all the banks. Those specific circumstances, we are now told, are what the eurozone Finance Ministers will taken into account when considering Ireland's case while negotiating the role of the ESM in supporting banks. In simple terms, given that our banks are recapitalised, is the State looking to sell its stake in the banks to the ESM, is the Taoiseach insisting, if we are to go down that route, that this will be done at the price at which they were taken onto the books of the State, that is, a book value of approximately €29.4 billion, and has he examined the wider implications of what it would mean for the Irish economy to have the banks in the hands of the ESM?

On the promissory note, the funding cost is quite low as the Central Bank effectively borrows the money it lends to IRBC from the European Central Bank at a very low interest rate. Obviously, the cost is the capital payment that we make because we must borrow that money on the open market at the prevailing rate. The Holy Grail would be to kick it out over an extended period at a very low interest rate. Is the Government demanding, in the absence of a specific write-down - the Taoiseach might clarify that he is not looking for a write-down - an extended period of time to pay the debt at a low interest rate? My party would argue that it could be in the form of a zero coupon bullet bond over 40 years. Is that what the Taoiseach is looking for? Would he answer those two questions succinctly?

**The Taoiseach:** The Minister and the officials from the Department of Finance are involved in detailed discussions with the ECB about the promissory note. There are a range of issues on which they have been working and they are progressing those discussions with the ECB.

The question of debt sustainability is always difficult. We have made the case clearly to the European Council. It has been accepted that Ireland is in a different position from other countries in that our banks have been recapitalised. I do not want to go back over the decisions taken by the previous Administration.

**Deputy Micheál Martin:** The Taoiseach should say the decisions imposed by the EU.

**The Taoiseach:** I believe Deputy Martin's party could have taken a different route in dealing with the issues. However, that is history and there is now a €64 billion imposition on the Irish people. The decision of the Council in June was to break the link between sovereign and bank debt. Everybody is clear on that. The decision of last Thursday and Friday was to put flesh on that by saying that we must have a date for the putting in place of the legal framework because we cannot do anything until we have that in place.

**Deputy Micheál Martin:** We can do something, actually.

**The Taoiseach:** The mandate given to the Finance Ministers and the Eurogroup is to go through the process by which that will happen and then to set down the conditions that will apply. The ECB, as a central supervisory authority here, will have to do a mountain of work in terms of systems, personnel and all of the questions that need to be asked and answered about the process and how it will actually work. The decision in June was that once the banking union and the supervisory mechanisms are in place, bank recapitalisation can follow. All of those areas and all of the legitimate questions that Deputies asked here are part of the discussions and negotiations that will take place at finance minister level from now until this becomes a reality.

What do we want for Ireland? Deputy Donnelly gave a range of figures which are already in the public domain. We want to get the very best deal for the country and for our people. It is not possible to put a figure on that. Clearly, this will emerge during the course of detailed discussions and negotiations. We want the very best deal we can get and I am sure that everyone, no matter what his or her political affiliations, wants the same. We must try to get the maximum we can. However, as Deputies are well aware, when one is sitting around the table with 26 others, a wide range of views and very strong opinions are expressed. It is important that when the banking union and supervisory authority are set up, they work effectively and to a high standard. This is a major undertaking and we must get it right.

Do I consider that this debt is sustainable? I consider that it is very unfair on our people, who have been meeting the demands upon them for some time. In terms of the sovereign and bank debt, what we are trying to do is ensure that the mandate given to the Eurogroup works itself through to the putting in place of the legal framework and then that the conditions, modalities, organisation and mechanics of how this new banking regime will work are agreed. All of those questions are on the table for discussion and negotiation.

**Deputy Micheál Martin:** Are we looking to sell our stake in the banks to the ESM?

**The Taoiseach:** That is part of a whole range of areas that are under discussion. The promissory note issue is being pursued very diligently with the ECB and the possibilities that exist there are all being discussed.

**Deputy Richard Boyd Barrett:** As others have said, I do not know what happened in the Taoiseach's conversation with Angela Merkel and I certainly do not know exactly what "special" means. Special could mean better treatment or it could mean basket-case, as is the case with Greece and the impact of troika policies on that country. It would be helpful if the Taoiseach could tell us what he thinks "special" means in terms of treatment and what he is asking for. What, precisely, are we asking for? If we are not asking for debt write down, then it is difficult to see how any special treatment is going to alleviate the burden on ordinary people or do anything other than produce long-term stagnation, if not depression. We do not know what Angela Merkel means by "special" so I ask the Taoiseach to tell us what he means by that term.

If we cannot get clarity on whether we are going to get debt relief, I ask the Taoiseach to consider an alternative strategy. As of September 2013, we will have a primary budget surplus. As of that point next year, the deficit will be entirely composed of interest on debt. That gives us leverage because at that point we can be self-sustaining. Let us tell Angela Merkel that if she does not give us a deal by the middle of next year that makes our debt sustainable, we will not pay back the money because the debt interest will cripple us. We will be in a position to do that because at that point we will not be spending more than we are taking in in tax revenue and we will be able to manage. Let us use that leverage and tell Angela Merkel that she has a deadline,

after which we cannot be nice anymore because it is killing us.

**The Taoiseach:** The reason Ireland is a special case and is recognised as such is that our banks have been recapitalised. Therefore, the assistance to be given is of a different nature from that for other countries which have not yet sought assistance. The fact is that the communiqué issued by myself and the German Chancellor recognises our unique circumstances and against that background, the special case that Ireland is recognised as having will be taken into account in the negotiations and discussions by the Eurogroup. No other country finds itself in these particular circumstances and that is what is special about the Irish case. It is not a special status, but a special case because of the background and the unique circumstances. The outcome of the meeting last Thursday and Friday clarified again, in the communiqué and in the press conference by President Hollande, that Ireland's special case will be taken into account when the Eurogroup goes through its negotiations and discussions. Out of that, what we want to get is the very best, maximum benefit that we can.

**Deputy Gerry Adams:** I wish to make a few remarks about this word “special”. The joint communiqué with Angela Merkel was a very necessary piece of damage limitation, required because of what she had said and the interpretation thereof. Let us not over-egg that though, because it was full of the language of diplomacy, of constructive ambiguity, of fudge. I may be able to help Teachta Boyd Barrett with his question. I was, a number of times in my life, treated in a very special way. I had special status. Now, the problem for me was that I was in a prison ship in Belfast Lough, without charge or trial, held below deck with other internees for a very long time. In another period of my life, I was in the H-Blocks and cages of Long Kesh and in Belfast Prison and again, I had what was defined as special category status, but I was incarcerated without proper charge or trial. I just offer that up as a little light relief in these straitened times.

**Deputy Eamon Gilmore:** Deputy Adams obviously remembers those times fondly.

**Deputy Richard Boyd Barrett:** That is a very good analogy.

**Deputy Gerry Adams:** I hope that does not phase the Tánaiste in the time ahead. I am sorry that the Taoiseach had to leave. That is not a complaint - I simply wanted to make a point to him. When he was asked if he thought our debt was sustainable, he said that it was unfair. I have been arguing, as has my party, that the Government has a very strong hand to play here. In our weakness, we have strength. The strongest hand we have to play is that we cannot afford this. We cannot afford to pay because the social consequences, as the leader of the Labour Party should know, that citizens have to bear are simply too much. Why on earth should we put our people back decades in their social advancement and increase their economic distress just to pay off the greed caused by private banks, corrupt politicians and golden circles? Why should we do that? We are able to argue from a strong and truthful position. In the absence of the Taoiseach, and mindful of what the Minister for Education and Skills said, I ask the Tánaiste if he thinks this debt is affordable. Is it preferable to go through these interrogations and proceedings until a more senior Minister says it is not tenable?

I acknowledge the negotiations are ongoing and that there will be ups and downs and twists and turns but how can it be claimed that the legacy debt will be sorted out by October when the word “legacy” was not even mentioned in the June statement? I invite the Tánaiste to take this opportunity to acknowledge that private banking debt is not affordable and that the legacy debt is unlikely to be sorted out by the end of October.

24 October 2012

**Acting Chairman (Deputy Peter Mathews):** As we are running out of time I will take brief questions from two more Deputies.

**Deputy Mick Wallace:** I will take less than two minutes and will be quicker than everyone else. I commend the Government on strengthening our relationship with France.

Various proposals have been made on eurozone bonds, banking unions, EU wide infrastructure spending and common programmes but all have been greeted with deep suspicion in Berlin. The Germans suspect that the bottom line on these ideas is a desire to get German taxpayers to subsidise other Europeans. However, Germany's counter proposal that the budgets of EU nations should be subject to control by the European Commission is dismissed as an infringement on national sovereignty. In the post-war years we have seen a more European Germany develop but a more German Europe now appears to be emerging. The price of Germany's financial assistance will increasingly be our acceptance of rules and laws designed in Berlin. Does the Tánaiste believe we are looking at further loss of sovereignty over the coming years?

**Acting Chairman (Deputy Peter Mathews):** I ask Deputy Flanagan to be brief because we are against the wire.

**Deputy Luke 'Ming' Flanagan:** I will be quicker than the rest of them. The real seismic shift this week was the admission that our debt is unsustainable. It is good news for the relatives when an alcoholic admits his or her problem because they can finally do something about it. However, if the alcoholic hangs around with others who refuse to admit they have a problem he or she will go back on the booze. Deputy Donnelly eloquently explained what sustainability requires. It is difficult to disagree with him unless one wants to spin a story.

The Taoiseach has not answered a question since I was elected to this House. That is why I am happy I did not get an opportunity to put my questions to him this morning. Perhaps the Tánaiste will answer my question by explaining what he believes is sustainable when it comes to our debt. If our debt is not written down to a sustainable level, what is the next plan?

**Tánaiste and Minister for Foreign Affairs and Trade (Deputy Eamon Gilmore):** Deputy Adams invited me down memory lane. I recall that when the Deputy was involved in complex and long lasting negotiations he described those who claimed the negotiations would not be successful as naysayers. That is a phrase which could describe his attitude to the current negotiations. We should consider what has already been achieved. In June a decision was taken to separate bank and sovereign debt. Twelve months earlier people said that could not be achieved.

**Deputy Gerry Adams:** Including the Tánaiste.

**Deputy Eamon Gilmore:** No, the Deputy is wrong. I was one of the people who argued trenchantly -----

**Deputy Gerry Adams:** Frankfurt's way.

**Deputy Eamon Gilmore:** That is exactly what I was arguing.

**Deputy Micheál Martin:** He is rewriting history.

**Deputy Eamon Gilmore:** I argued that we needed to renegotiate the terms of the deal and that is what we are doing. The separation of bank and sovereign debt was a landmark decision.

In advance of the October summit people predicted that we would not implement the decisions to use the ESM for recapitalising banks and establish the single supervisory mechanism but we decided at the summit to proceed with these measures according to a timetable based on completing the legislative framework for the supervisory mechanism by the end of the year. The word “sustainability” has been used by several speakers. Let us remember that the objectives of the June agreement, which was restated in October and again in the joint communiqué between the Taoiseach and the German Chancellor, include improving the sustainability of Ireland’s debt situation. There is only one way to interpret that objective. It means securing the best possible outcome from the point of view of the Irish taxpayer. That has to be worked out. The promissory note is the subject of negotiations with the ECB. The wider bank debt will then be addressed in the context of the ESM.

**Acting Chairman (Deputy Peter Mathews):** The Tánaiste may, by agreement, use his concluding remarks to continue answering these questions. Is that agreed?

**Deputy Micheál Martin:** May I ask another question?

**Acting Chairman (Deputy Peter Mathews):** That is at the Tánaiste’s discretion.

**Deputy Micheál Martin:** He already used up five minutes.

**Deputy Eamon Gilmore:** I have not.

**Deputy Micheál Martin:** I accept that our time is constrained.

**Acting Chairman (Deputy Peter Mathews):** This is not easy.

**Deputy Eamon Gilmore:** I am entitled to make a contribution. I want to address the issue of loss of sovereignty, which was raised by Deputy Wallace. The whole point of this exercise is to recover our sovereignty. In many respects we lost our economic sovereignty when the deal was struck with the troika at the end of 2010. We are trying to regain our economic sovereignty.

**Deputy Stephen S. Donnelly:** What is sustainable?

**Deputy Micheál Martin:** What is the Tánaiste’s understanding of the June decision and the current position of the German Chancellor and others regarding legacy debt? Is it his understanding that the June summit committed European Heads of State and finance ministers to apply the decision to legacy debts in respect of the pillar banks? Nothing we have heard from any European leader or finance minister in Finland, the Netherlands or Germany suggests they are agreeable to applying the principle of the June decision to legacy debt.

**Deputy Eamon Gilmore:** It is my understanding for two reasons. First, the June decision explicitly states that the eurogroup will be tasked to work on proposals for improving Ireland’s debt sustainability. That was a clear, separate and special mention of Ireland. We were the only state to be individually mentioned in that statement. Second, a clear statement was made that similar cases would be treated equally. That anticipated the possibility that the ESM might be used in new situations.

**Deputy Micheál Martin:** It did not say that.

**Deputy Eamon Gilmore:** It does say that. One must look at what it states.

There was a reason the Irish situation was mentioned separately and the reference was made

to Ireland as a “special case” in the communiqué. That reason is straightforward. First, it was because the Irish taxpayer was required to take on the burden of the bank debt, wrongly in my opinion, but that is an argument of history we can probably debate at another time. Second, it was required to do that in advance of the new mechanisms which are now in place, like the ESM, being in place at the time. Third, it is a special case because of the huge sacrifice of the Irish people in paying for the taking on of that burden. That special nature of our case, particularly the burden the people have taken on, is acknowledged.

We have to work this through now. We must work through the detailed negotiations with the ECB, the Commission and the troika and for that we must have political support across capitals in Europe. That is something that has been a consistent part of what we have been doing since the Government was established. There are two elements to what we have been doing. One element has been to advance our individual national case on improving the debt sustainability of Ireland. The other thing we have been doing, and we should not lose sight of this, is we have been helping to change the way in which Europe has been addressing the situation. Some of the instruments now in place were not in place at the time. They had to be worked for, for example, the establishment of the ESM and the advancement of banking union on which we had to secure political agreement. There is a much broader political agreement now at European Council level and across European capitals than was the case at the beginning of this whole exercise.

Two processes have been running in parallel and we must continue with that. One is that we have been using our position to influence the shape of European policy and where it is going. Then, by doing that we are creating the space for a deal to be struck which will improve Ireland’s debt sustainability and secure the best possible deal for the Irish taxpayer.

**Deputy Luke ‘Ming’ Flanagan:** The question should be answered. We can be told what is a sustainable rate.

**Acting Chairman (Deputy Peter Mathews):** This is a very full debate. There is no finality to the issue, but there is a finality to the time available to discuss it here.

**Deputy Gerry Adams:** The Tánaiste failed to answer my question. I asked a very straight question.

**Acting Chairman (Deputy Peter Mathews):** We must move to the next item as provided for under the Order of Business.

### **Prospects for Irish Economy: Statements**

**Minister for Finance (Deputy Michael Noonan):** I welcome the opportunity to discuss the prospects for the Irish economy. In my remarks today, I will outline how the policies adopted by the Government are beginning to bear fruit. However, while the Irish economy is showing signs of growth, we must not be complacent. This is only the first step on the road to recovery.

Economic growth and a recovery in the jobs market are the crucial preconditions for an improvement in the living standards across society that continue to be the ultimate aim of Government policy. The Government is continuing to tackle the economic and fiscal challenges we face in the coming years to ensure that recovery takes firm root and is sustained. As such,

putting in place the conditions for supporting economic growth has been a focus of my work as Minister for Finance.

I will give an overview of the economic situation before discussing the Government's policy responses to the opportunities and challenges facing us. Last year saw an expansion in gross domestic product of some 1.4%. This followed three years of successive decline in GDP and marked a positive first step on the road to recovery. Growth has continued into this year, rising at the modest rate of 0.5% in the first half of this year, compared with the same period in 2011.

The recovery is being led by the external sector, with exports of goods and services now well in excess of pre-crisis levels. This shows that the improvement in competitiveness which has been evident in recent years is yielding benefits. It also highlights the inherent flexibility of the Irish economy, which has seen significant improvements in relative prices and costs. The strong export performance also means that our balance of payments with the rest of the world moved into surplus in 2010 for the first time in over a decade. More recently, a surplus of €3.2 billion was recorded on the current account of the balance of payments in the second quarter of this year. This is the largest nominal surplus recorded since records began in 1981. While the figures can be quite volatile, it is worth pointing out that over the past four quarters, the current account balance has averaged 3.3% of GDP.

In the second quarter of the year, services exports recorded an 8% annual increase. This is reflective of the competitiveness improvements achieved in recent years, but also the continuing willingness of both international and domestic multinational firms to locate new business in Ireland. The pipeline to win more foreign direct investment is strong and the IDA has secured 73 foreign direct investments to date this year. Notwithstanding these positive developments, the Government is acutely aware that the greatest fall-out from our economic difficulties is in the labour market. Unemployment is estimated at 14.8% in September, which is far too high. The only reliable way to bring down unemployment is to secure economic growth, and that is the main focus of the Government's economic policies.

On the budgetary front, the gap between revenue and expenditure remains large, despite the reduction in the underlying deficit to an estimated 9.1% of GDP last year - a level well within the limit set under the terms of the EU-IMF financial assistance programme. The Government is committed to reducing the deficit further. The deficit limit set for this year is 8.6% of GDP and the latest data are consistent with the achievement of this target.

Aggregate tax receipts for the year to end-September are 1.5% ahead of target, with three of the four main sources of revenue performing better than expected. Although the majority of Departments continue to manage within their agreed limits, spending is somewhat higher than planned in the social protection and health areas. This is a cause for concern in the context of achieving budgetary targets and restoring confidence in the sound management of the public finances. My colleague, the Minister for Public Expenditure and Reform, is working with our ministerial colleagues in these areas to ensure our expenditure targets for this year are achieved, as they were in 2011. However, we must be cautious not to overstate the risks posed by these overspends within the overall voted public expenditure of €55.9 billion. Any overruns are very small in comparison with the total budget.

The Government has been working hard to reposition Ireland to return to the financial markets in advance of the completion of the EU-IMF programme and we are continuing to meet the targets set out within it. The State's consistent delivery on commitments that we have made

has enhanced market sentiment towards Ireland. This is evidenced by how our bond yields, at all maturities, have come down considerably since the early summer. The return to the bond market over the summer by the NTMA is welcome and last week's successful t-bill auction is evidence of continued market access.

As a small and open economy, Ireland's prospects are inextricably linked to wider global developments. In terms of our main trading partners, GDP in the euro area contracted by 0.2% in the second quarter of this year following a flat first quarter. In the UK, GDP contracted by 0.5% in the second quarter, the third successive quarter of negative growth. In the United States, the figures were a little more encouraging, with GDP increasing by 0.4% in the second quarter.

### *1 o'clock*

The IMF recently revised downwards its global growth projections for 2013, including the projections for Ireland's main trading partners, particularly the United Kingdom and the euro area. This means that demand for our exports in 2013 will not be as high as was anticipated when my Department published its growth forecasts in April this year. This reflects global forecasts.

The Government fully recognises the pain and suffering of many in our society who have been negatively affected by the economic difficulties of the last four years. I reiterate that job creation is our key objective. Putting the right policies in place to encourage employment growth is at the centre of the policy actions being taken by the Government. I will go into some detail on this. The Action Plan for Jobs which was launched earlier this year by my colleague, the Minister for Jobs, Enterprise and Innovation, Deputy Richard Bruton, builds on work across government to deliver reform and create economic growth. It builds on the progress made on economic reforms to accelerate jobs growth and get the country working again. The 2012 Action Plan for Jobs is the first instalment in an ambitious multi-year process. The overall success of the plan will depend on whether it fosters greater job retention and creation. The latest progress report on the plan shows that in the third quarter of 2012 Departments and agencies delivered on schedule 58 of the 67 measures due, giving a completion rate of 87%. Having said that, structural unemployment is a key concern, as can be seen in the regrettably high share of long-term unemployed. This is, in part, a legacy issue in the aftermath of the construction boom and the decline of associated sectors. To combat this, the Government has prioritised job creation and retention through the Action Plan for Jobs and the Government's jobs activation programme, Pathways to Work. We have successfully negotiated with the troika that some of the receipts from the sale of State assets will be directed towards job creation.

Ireland must maintain its position as an attractive destination for inward investment and position the economy to take advantage of the global recovery when it emerges. Notwithstanding the need to underpin the sustainability of the public finances, the Government has taken and will continue to take steps to support competitiveness. These include the Government's commitment to retaining the 12.5% rate of corporation tax and maintaining and enhancing its pro-business tax policies. As a result, Ireland continues to attract inward foreign direct investment. Almost 1,000 companies, including Google, eBay and Facebook, have chosen Ireland as the hub for their European networks. Irish companies are happy to locate new businesses at home, as seen by recent investment announcements by companies such as Paddy Power and the Kerry Group. Since 2011 the Government has introduced and enhanced a number of pro-business tax measures. In the Finance Act 2012 we introduced the special assignee relief programme to attract key talent and innovators to Ireland and the foreign earnings deduction to aid companies

seeking to expand into the emerging markets in Brazil, Russia, India, China and South Africa. We introduced significant enhancements to the research and development tax credit scheme to the extent that we have an international reputation as one of the leading countries in this respect. We improved the three year tax exemption for startup companies by linking the value of the relief with employment creation. The jobs initiative introduced a reduction in the VAT rate on certain employment sensitive industries, particularly the tourism sector, and reduced the rate of PRSI payable by employers to help wage competitiveness.

As a consequence of their contribution to total costs, Ireland's labour costs have a significant impact on overall cost competitiveness. Ireland's labour costs have improved substantially in recent years, relative to the euro area, and are forecast to continue to converge in the coming years. Recent exchange rate movements are beneficial from a competitiveness perspective. The euro has depreciated against the dollar and sterling over the course of the last year. This benefits Ireland because of our greater exposure to trade outside the euro area. Recent inward investment announcements provide further grounds for optimism, clearly demonstrating that Ireland remains an attractive location for the production and export of high technology goods and services. I see this as a clear demonstration that the Government's strategy in relation to the 12.5% rate of corporation tax is an appropriate one.

Despite the challenges we are facing as a country, the Government will spend €17 billion on the capital programme for the period of 2012 to 2016. This level of expenditure is based primarily on what we can afford and has been focused on the investments most needed. The capital investment plan has been designed to facilitate economic growth and build our social infrastructure. Capital spending will see an increasing share of our scarce resources allocated to schools, health care facilities and areas where the construction industry can expect to benefit from the increased demand stimulated and the consequent jobs this will provide. We will spend €2.2 billion on 40 new schools and 180 other major school projects. We will spend €2.9 billion on the national and regional roads programme, including a new public private partnership road - the Ballaghaderreen bypass - as well as provision for motorway maintenance and local and regional roads. We will provide €1.4 billion for Luas interconnection, rail safety measures, regional cities traffic management and the removal of bottlenecks. We will spend €1.5 billion on water services. Some €1.4 billion is being provided for social housing provision and some regeneration schemes.

In July my colleague, the Minister for Public Expenditure and Reform, Deputy Brendan Howlin, announced the Government's plans for an additional investment of €2.25 billion in job-rich public infrastructural projects. The bulk of the funding will come from a combination of the National Pension Reserve Fund, the European Investment Bank and the Council of Europe Bank, domestic banks and other potential private investment sources. This package is the culmination of intensive efforts to identify projects that are realistic, credible and deliverable. It is estimated that the first phase of the public private partnership programme will generate up to 13,000 jobs. The focus for this phase is on projects valued at up to €1.4 billion in the education, health, transport and justice sectors.

In May NAMA set out proposals to invest €2 billion in Ireland in the next five years. This investment by NAMA will be an important contribution to the Government's plans for getting people back to work. It has been estimated that a €2 billion investment could generate up to 25,000 direct and indirect construction jobs and up to 10,000 additional jobs in the wider economy. This investment will facilitate the completion of properties and, importantly, allow land to be developed in anticipation of future supply shortages.

The importance of ensuring a sustainable public finance position is clear to everyone. The Government is conscious of the need to demonstrate nationally and internationally that the public finances are being managed in a stable and sustainable way. We must put our debt-to-GDP ratio on a downward path. The ratio is expected to peak next year and fall thereafter. In the medium term the external environment is expected to strengthen from 2014 onwards, as is our export growth. As this strong export performance starts to feed through to investment and employment, consumer confidence is expected to improve and the savings rate should start to fall somewhat. I expect to see economic activity beginning to gradually firm and broaden from being externally driven, with domestic demand also making a modest contribution. The strong performance of foreign direct investment points to the fact that many of the underlying strengths of the economy remain in place, including a well educated workforce, favourable demographics and an open, flexible and pro-enterprise economy. Internationally, it is widely recognised by those who objectively assess our performance that the Government is reacting in a decisive and timely manner to address the country's economic challenges. The difficult decisions that have been taken have helped to reposition the economy on a more sustainable export-led path. The Government believes Ireland's future is intrinsically linked with continued membership of a strong and vibrant European Union and the euro area. It intends to continue to engage proactively with senior officials in the EU institutions and our EU partners on the implementation of policies aimed at strengthening growth and stabilising turbulent financial markets. I look forward to hearing the views of Deputies.

**Deputy Michael McGrath:** I thank the Minister for his opening statement. I am glad to have the opportunity to make a contribution to this debate on the state of the Irish economy. At present, as we can all agree, we are certainly continuing to live in turbulent economic times and it is opportune for us, as the national Parliament, to fully debate the issues that currently face us.

What people at home really want to know is when all of this is going to end. It was back in July 2008 that the first phase of the budget cuts was announced by the late Brian Lenihan, a package of €1 billion. That is more than four years ago and, according to the plans that have been set out, there will be at least another €8.6 billion over the next three budgets. We need to give people a realistic assessment of where the economy is at and to be honest with them about the challenges that remain. People are very anxious to know when the period of tax increases and budget cuts will come to an end, when they will see the economy growing again and when their standard of living will begin to improve.

While there are many economic matters of concern at present, I would like to touch on a number of items today and I will return to other issues in the next few weeks. Fianna Fáil is in the process of preparing its budget submission and we hope to have it completed in a few weeks, well in advance of the budget in the first week of December. In the course of our work, we are receiving the assistance of the Department of Finance in costing various proposals, which I acknowledge. I will return to the budget later in my contribution.

There is little doubt the issue gathering most attention at present is the question of a deal on bank debt, and I sat through some of the debate earlier on the outcome of the European Council summit. Achieving a deal on the bank debt is important, not just for the public finances or in regard to the issue of debt sustainability, but in regard to generating confidence in the economy and among Irish people that we may have turned a corner. They will not believe that until they see the evidence in their daily lives.

The 29 June summit of EU leaders agreed a statement which had potentially huge implica-

tions for the efforts by the Government to reduce the borrowings created by fixing the banks. The Eurogroup statement was quite stark when it stated, “It is imperative to break the vicious circle between banks and sovereigns.” The inclusion of the additional sentence relating to Ireland, that the “Eurogroup will examine the situation of the Irish financial sector with the view to further improving the sustainability of the well-performing adjustment programme” was, in itself, undoubtedly good news as it meant a deal on the cost of fixing the banks would cut Ireland’s national debt.

Fianna Fáil wants Ireland to get a deal that reduces the borrowings associated with the recapitalisation of the banks. Contrary to suggestions coming from some Government sources, we are not hoping the talks fail or that the Government gets only very minor concessions. We want the talks to succeed and we believe this can make a significant contribution to underpinning Ireland’s economic recovery.

We are fully aware of the precarious state of the public finances and the fragility of the Government debt to GDP ratio. In the past week, two Ministers, including the Minister of State, Deputy Brian Hayes, have said that Ireland’s debt is “unsustainable”. I am unsure if this is the official Government position because the Department of Finance seems to have a different view. In May 2012 the Department produced a document entitled “The Irish Economy in Perspective”, which gave the official view that Ireland’s debt was “sustainable”. It might be more helpful for the Government to express a consistent view on the subject rather than attacking the Opposition for fulfilling its constitutional duty to hold the Government to account.

Last week’s summit was vague in the extreme in terms of concrete follow-up from the June statement. While Ireland was mentioned explicitly in June, this vanished from the latest statement, although I accept the negotiations on the bank debt are continuing. The summit left many questions unanswered. The details of bank supervision were left for Finance Ministers to work out, which gave rise to justifiable concerns that arguments would arise with non-euro members of the EU concerned about the terms of the ECB’s supervisory powers. The practicality of how banks could be recapitalised directly and how to deal with legacy assets was not agreed. Worse still, the EU leaders’ statement was quickly overtaken by comments from Angela Merkel ruling out back-dated recapitalisation of banks by the ESM in regard to Spain. Given past commitments to treat similar cases equally, the Chancellor’s comments were widely interpreted as ruling out the possibility of the ESM taking equity stakes in Irish banks.

What has happened since Friday has been insightful. The communique from the Taoiseach and Chancellor Merkel on Sunday recognised the unique circumstances behind Ireland’s banking and sovereign debt crisis and reaffirmed the commitment from the 29 June statement to examine the sustainability of the Irish programme. The communique also referred to Ireland as a special case and, while in many respects that was a statement of the obvious, it is good that the Chancellor put her name to that statement recognising that Ireland’s circumstances are unique. It is an altogether different question as to whether being a special case means we will get special treatment because the June summit makes it clear that similar cases will all have to be treated equally.

According to the Taoiseach, Ireland is “unique” because it had “the European position imposed on it”, which resulted in the sovereign having to take on the debts of all the banks. He seems to be accepting that Ireland had, as a result of the policies of the ECB, no choice but to recapitalise the banks and not impose losses on senior bondholders, and that remains the position of the ECB to this day. This is a significant admission by the Taoiseach and is an accep-

tance that we have both a moral as well as a practical argument for a reduction in the bank debt.

It is easy to lose sight of the facts in the debate about the bank debt. We have to remember that the Irish banks are already recapitalised. They do not need new capital from the ESM; it is the Irish State that needs the money. In simple terms, the Government should clarify if the State is looking to sell its stake in the banks to the ESM. Will the Government insist that this be done at the price at which they were taken onto the books of the Irish State and not at their current market value? As we know, the National Pensions Reserve Fund currently puts a value of €9 billion on the living banks. The Government must also examine the wider implications of what it would mean for the Irish economy to have the banks in the hands of the ESM, particularly in terms of loss of strategic control. Of course, as of now, we are free to put the banks on the market and to sell our stakes in the banks. The question is, if the ESM is to buy out our stakes in the Irish banks, what the price will be. It would need to be very significantly in excess of the market value for it to be the right course of action.

This begs the question as to whether the ESM wants to be in the business of owning and running banks, which is not the primary purpose the ESM was established to fulfil. It is a question we need to have answered. Is it the intention of the European authorities that the ESM would, for example, own a stake in banks or be involved in the operational control of banks, and is that in the interests of the Irish State? It all comes down to the price which would be paid for those equity stakes.

To turn to the issue of the promissory note, one interpretation of Sunday night's communique would be that it will be in regard to the promissory note that we will see movement in the first instance, and there is an immediate deadline coming up in March on that question. It is often misunderstood that the funding cost of the promissory note is actually quite low as the Irish Central Bank effectively borrows the money it lends to IBRC from the European Central Bank at a very low interest rate. Of course, the cost potentially rises each year as we make the capital payment because we have to borrow that money in the open market at the prevailing rate. We should demand, in the absence of a specific write-down, which is the ideal outcome and one that should be sought, an extended period of time to pay the debt at a low interest rate. This could be in the form of what is known as a zero coupon bullet bond over a 40 year period.

If the German Chancellor and French President are true to their word, they would facilitate such an arrangement for Ireland. It would be an acknowledgement that Ireland has not just a practical case for relief on the bank debt but also a moral case, as the Taoiseach has acknowledged that "the European position was imposed on us" as a country. As I said earlier, Fianna Fáil wants to see Ireland succeed in its debt negotiations but we will not be passive bystanders and it is our intention to actively hold the Government to account in the Oireachtas for both its strategy and tactics in this regard.

I would like to turn to the general state of the economy. A number of key reports and economic statistics have been delivered in the past few weeks which give us a good insight into the reality of economic life in Ireland, not the sanitised version we get from Government press releases. Taken together, they indicate that the economy can be described, as the ESRI described it some weeks ago, as "bouncing along the bottom". The Government is in denial about the true state of the economy and the underlying position of the public finances. The mantra is repeated that we are meeting all our targets under the programme when, in fact, we are continuing to miss a number of important targets, in particular concerning the Personal Insolvency Bill and tackling sheltered sectors such as the legal and medical professions. A confused message is be-

ing delivered to our EU partners who are understandably questioning why we need a reduction in our bank debt if the economy is performing as well as we claim it is.

For some time there has been clear evidence of a two-speed economy. In fact, there is evidence that the economy is moving in opposite directions. The domestic economy continues to shrink, while foreign direct investment driven exports have performed well, although they are now also showing some signs of slowing. Since entering office the Government has undertaken the jobs initiative and introduced a “jobs-friendly” budget and the Action Plan for Jobs. However, in the last 12 months the number at work has fallen by 1.8%, or 33,400 people, to stand at 1,787,900. A total of 1,200 jobs are being lost each week in 2012.

The stability programme update, SPU, in April indicated that compared to 2011 the Government was projecting lower growth rates, lower GDP, lower job creation levels, higher unemployment, lower real wage growth and higher public debt. We should be grateful for the sober assessments of the IMF, the ESRI and others which are not swayed by the Government PR machine. The IMF report tells us there are still significant risks to Ireland’s economic outlook. GDP will grow by just 1.4% in 2013, down from 1.9%. It goes on to state, “Banks are still not supplying the needs of households and SMEs”. The ESRI report is stark in its assessment. It states there is still “little appreciation” of just how bad the country’s finances are and that further cuts in the health, education and welfare sectors are “inevitable”. I also refer to the report of the Irish Fiscal Advisory Council. The council made a number of salient points in its report, including that there was a 40% chance that the debt-to-GDP ratio would fail to stabilise by 2015. It refers to the need for all adjustment margins to be kept under close review, including tax rates, public sector pay rates and pensions, and welfare rates. It also recommended an additional adjustment in budget 2014 and budget 2015. There has been a general downward trend in growth forecasts in recent times. The stockbroking firm, Goodbody, recently downgraded its growth forecast for 2012 to 0.3% and 1.3% in 2013. In September the IMF forecast that GDP would expand by 0.4% this year and 1.4% in 2013.

I wish to briefly refer to mortgage arrears. I welcome the statement made last week by Ms Fiona Muldoon at the Irish Banking Federation conference. It was great to hear a public servant speak so openly, frankly and honestly about the approach taken by the banks on mortgage arrears. I will not read what I intended to say because I wish to cover other points.

In the lead-up to December’s budget, there are important questions that must be answered by the Government, the Opposition and wider society. For example, can we afford to continue to pay increments to well paid public servants, while vulnerable elderly people have their home help hours cut? Even if we can afford it, can we justify it? Is it fair that new entrants to the public service will be paid so much less than their colleagues who joined before them? Have we got the balance right between tax increases and spending reductions in the proposed adjustment of €3.5 billion? What will the budget choices we make say about our values as a country? Is the burden being fairly shared among those who have the ability to pay? Have we really made work attractive and tackled the undoubted welfare traps in the system? Should we protect the capital budget to a greater extent and not impose a further cut of €500 million?

Above all else, the people want to see a fair budget. I accept that one will never achieve consensus on what is fair. According to the ESRI, last year’s budget was the first that was not progressive since the round of cutbacks commenced in 2008. Ireland’s domestic economy is a story of many sectors; agriculture, the food sector, multinationals and indigenous firms involved in exports are doing well, but the sectors that rely on consumer spend - the retail sector,

pubs, restaurants and hotels - are struggling. As an economy, our cost base has come down considerably, but it must reduce further. For individuals, this means the cost of medicines, the cost of visiting a GP, the cost of insurance and utility bills must be reduced. We must deal with the sheltered sectors that are protected. For businesses, it means tackling the cost base in the semi-State sector, rates, rents and trying to assist foreign-owned retail chains. Many such companies located in this country are reviewing operations.

Last night I contributed to the Private Members' debate on the proposed introduction of a statutory sick pay scheme. In respect of the budget, I urge the Minister to try not to do harm to those who are willing to take a risk and invest in job creation. The recovery will be led by the private sector. The public sector will shed at least another 10,000 jobs in the coming years, while the private sector will create jobs. The Minister must not do any harm in the budget to what the private sector is seeking to achieve.

**Deputy Pearse Doherty:** Cuirim fáilte roimh an deis na ráitis seo a phlé, agus muid ag tabhairt aghaidh ar an gcáinfhaisnéis i Mí na Nollag. I would like to be in a position to congratulate the Government on its stewardship of the economy in the past 20 months.

**Deputy Michael Noonan:** The Deputy would not.

**Deputy Pearse Doherty:** I would, because it is in all our interests. While I did not vote for the Government, people across the country have wanted the Minister and his colleagues to succeed in their endeavours since taking office. That is the position, regardless of whether one voted for the Government. It is true that it inherited a social and economic mess of unprecedented proportions. It has been well thrashed out that Fianna Fáil drove the economy over a cliff. Throughout its 14 years in office it fed a speculative banking and property boom which led to the biggest economic crisis in the history of the State. When it left office the incoming Government inherited unemployment and emigration levels which were returning to historical highs. The banking system was in tatters. Health and education services were in crisis and the economic sovereignty of the State was in the process of being handed over to the troika.

I do not underestimate the difficult job the Minister has had in the past two years, nor do I believe there were easy choices or quick solutions to the problems created by Deputy Micheál Martin and other Fianna Fáil leaders up to 2011. However, as the Fine Gael and Labour Party Government approaches its second anniversary, it is clear that its management of the economy is as much a failure as that of its predecessors. One has to examine the stark reality: there are 435,000 people on the live register; unemployment stands at 14.8%; long-term unemployment stands at a shocking 60% of the overall amount; emigration is back with a vengeance; and a total of 1,600 people leave the country every single week - that amounts to nine people giving up on the State every single hour, the vast majority of whom are young people who are leaving not because of their desire to see the rest of the world but in search of work and a better future. There will be no Celtic comeback for them and the majority, as the economy is not recovering. Almost every single social and economic indicator tells us that what the Government has done since taking office has made things worse, not better.

One cannot build the economy on the basis of *Time* magazine covers. This is not a Hollywood blockbuster. The Minister is not in Kansas. He cannot just click his heels and think everything will be okay. If he wants to rebuild the economy, he must make the right choices. He must decide whether he wants to repay all of the private banking debt or say clearly that the debt is unsustainable and cannot be repaid. He must also decide whether to blindly cut the

domestic economy into oblivion or to invest in job creation and growth. He must further decide whether to continue to heap the burden of the cuts on low and middle income families or to make those with most ability to pay stump up their fair share. These are the choices the Government faces in the weeks and months ahead. Unfortunately, the Minister is making all the wrong choices. He is slavishly following the same failed economic policies as his predecessors. On taking office he bought lock, stock and barrel into Fianna Fáil's programme for national recovery and the crippling austerity of the troika memorandum of understanding. He has faithfully implemented Fianna Fáil's cuts agenda. He has also faithfully implemented Fianna Fáil's bank bailout agenda and, just like Fianna Fáil, the Government is running the economy into the ground. Increasingly, people across the State are waking up to the fact that on 25 February 2011 nothing changed. All the promises made during the election campaign have come to nothing. Instead, just like Fianna Fáil, the Government is heaping the burden of the economic crisis on low and middle-income families and allowing those who created the crisis to get off scot free.

I am sure the Minister is well aware that on Monday the Irish League of Credit Unions published the latest instalment of its "What's Left" tracker. This is an invaluable piece of research which highlights the human impact of the Government's failed management of the economy. It tells us that half of adults are now struggling to pay their bills and that 42% of people had to borrow money to pay their bills during the last 12 months. Eight in 10 people are worried that they will not be able to cope with rising energy costs this winter. Almost 100% of people are worried that budget 2013 will make life harder for them and 52% are concerned about the impact of the property tax next year. Behind these statistics are real people who are struggling to get by every day.

Last week in Donegal I was approached by a woman who told me she did not support Sinn Féin but supported another political party. She told me about a mother of six children who every day has to dilute the milk with water to make it last the week. This is the only way she can get by. The woman who spoke to me asked me to raise this matter in the Dáil so that the Minister and his colleagues around the Cabinet table would realise the human impact of the policies they are pursuing. We all know that the woman from Letterkenny is not alone; there are many like her throughout the State. For this woman and the hundreds of thousands like her, things are getting worse. The cost of their gas and electricity bills is rising. The cost of their health insurance, if they have it, is rising, and so are their mortgages. Yet thanks to the changes in the last budget, these people have less and less money in their pockets each week. What happens when these people have less money? They spend less, local businesses suffer and jobs are lost. This is why the domestic economy remains in recession. The Government's policies and those of the troika are choking domestic demand and blocking a return to economic growth. It seems the Minister has learned nothing from the crisis.

When Klaus Regling produced his report into the collapse of our banking system he spoke of a "herd mentality". The term was used for about a week and was discussed at length in this House, as was the inability of key decision makers to listen to critical or alternative advice. It seems we have replaced the herd mentality of the boom years with the herd mentality of austerity. Deficit reduction is the new mantra. Meeting the troika's deficit targets seems to be the only concern of the Government. No consideration is given to the social and economic cost of reaching these targets. We are being governed by a herd of deficit hawks, slavishly pursuing a course that is destroying the domestic economy, our public services and the fabric of family and community life for many.

Just as there were alternatives to the herd mentality during the boom, so there are alterna-

tives to the herd mentality of austerity. Since the start of this crisis, my party, Sinn Féin, along with others, has been arguing for another way. In place of unlimited bank bailouts we have argued for debt reduction. In place of crippling austerity we have argued for progressive tax and public spending reform. In place of rising unemployment and emigration we have argued for investment in job creation. There are alternatives; the Minister has only to listen. Only a week ago Sinn Féin launched a comprehensive 60-page set of proposals to get the country back to work. At the core of our proposals, which were sent to the Minister, was a €13 billion investment programme over four years that would create an estimated 156,000 jobs and save 15,000 more. We argued that moneys from the National Pension Reserve Fund, the European Investment Bank and the private pensions industry be mobilised to get people back to work. In our proposals, the key drivers for job growth were investment in essential infrastructure, help for small and medium-sized enterprises, the need to exploit the potential of existing and new State enterprises, and investment in the agrifood industry and rural communities.

In the coming weeks we will launch our alternative budget. As in previous years, we will show how the Minister's adjustment targets can be met in a fairer and more growth-friendly way. We will outline the tax and spending measures that would allow the Minister to meet his troika deficit target for 2013 without heaping more pain on low and middle-income families or doing more damage to the domestic economy. Of course hard choices must be made in order to reduce the deficit, but it is possible to meet the deficit reduction targets in a jobs-friendly and growth-friendly way. Unfortunately, when persons in the Opposition have made constructive proposals the Minister has not proved willing to listen. I offer one example. Sinn Féin has proposed that the Minister increase the capacity of the Revenue Commissioners to bring in much-needed tax revenue. We propose an extra €6 million of spending by the Minister to employ 160 extra staff at the Revenue Commissioners, which could increase the tax take by €100 million. This proposal is supported by the Revenue Commissioners, as the Minister is aware. Sinn Féin has made the proposal but the Minister seems unwilling to consider it.

I say again what we have stated many times: we cannot tax our way out of a recession. We must invest in jobs and growth. Talking about jobs does not stimulate growth; only investment will lead to growth. No real economic recovery can take place unless we resolve the ongoing issue of the massive private banking debt Fianna Fáil imposed on this State and its people. Exiting the troika programme at the end of 2013 and returning to the sovereign bond markets requires a deal on both the promissory note and the legacy debt in the pillar banks. Since the Minister took office he has stated that these debts are sustainable and will be paid. He has consistently refused to listen to alternative proposals from the Opposition benches. Yet here, too, his strategy - if he has one - is in tatters. Last September the Minister told us the Department of Finance was engaging with the troika and expected to have an agreed common position on the promissory note by February of this year. More than a year later, no agreed position exists and no common paper has been produced. When Sinn Féin met the troika last week, its representatives were not even sure if a deal on this issue could be reached. They spoke of numerous papers, of which the Government's is only one. The position on the legacy debt is just as bleak. In June the Minister for Finance, the Taoiseach and the Tánaiste all claimed to have secured a deal on legacy debt. They even went as far as to say the details of the deal would be concluded by October of this year. We now know this is not true. The Government failed to tie down any real commitments last June. It failed to get the matter on the agenda of last weekend's summit. In addition, it faces stiff opposition from three of the most important players in the Eurogroup in terms of accessing ESM funds to retrospectively recapitalise the pillar banks.

Just as we need an alternative strategy on jobs, we urgently need a new approach on the debt. The Minister could start by agreeing with his Minister of State, Deputy Brian Hayes, and state publicly that the debt is unsustainable. Then he could do what other European Governments, such as the Spanish Government, have done: start to play hardball, stand up for Irish interests and secure a meaningful deal that lifts the burden of the private banking debt off the shoulders of the State and the people. Unfortunately for the Irish people, this is not the course of action the Government is pursuing. Sinn Féin wants the Government to succeed in resolving this issue but we genuinely believe it is selling the people short.

At some level, the Minister and I share the same objectives. However, we fundamentally differ about the roadmap that will lead us to them. We both want to return to growth, we want people back in work, we want both debt and deficit to fall and we want to undo the damage caused by Deputy Micheál Martin and his colleagues in the last Fianna Fáil Administration. Unfortunately, the Minister appears to be trapped in the same herd mentality that led his predecessors to make so many bad decisions. Like Fianna Fáil before him, the Minister appears unwilling to listen to the alternative proposals put in front of him. As long as he and his Fine Gael and Labour Party colleagues in government remain wedded to the policies of crippling austerity and unlimited bank bailouts, things will get worse. If they want to undo the damage left by the last Fianna Fáil Government they should stop behaving like that Government.

It is time to break free from the herd and start listening to alternatives. It is time to invest in jobs, stimulate growth, reform the tax system and write down the private banking debt.

**Acting Chairman (Deputy Thomas P. Broughan):** The next speaker is Deputy Halligan who is sharing time with Deputy Catherine Murphy.

**Deputy John Halligan:** That is correct.

**Acting Chairman (Deputy Thomas P. Broughan):** Is that agreed? Agreed.

**Deputy John Halligan:** I take this opportunity to speak for the hundreds of thousands of people who have been permanently damaged by the current economic crisis and who see no way forward for the next five to ten years. Those to whom I refer are all Irish men, women and children. It is not my intention to castigate the Minister. Since I was elected to the Dáil, I have made a point of trying to be progressive and pragmatic in my approach to dealing with various matters. I recognise the Government was left a desperately bad hand by the Administration which proceeded it.

I am a down-to-earth politician. I am not an economist but I have a reasonable grasp of economic affairs. Since I was first elected as a councillor - I also served as Mayor of Waterford - I have dealt with people on a daily basis. More than 4,700 people have come through my advice centres in Waterford county and city since I was elected to this House last year. I refer here to individuals who visited me at the centres to which I refer rather than contacting me by telephone or e-mail. The majority of these people are desperate. They are unemployed or on low or middle incomes. Among their number are teachers, gardaí, etc., and they all want to know when - or whether - the current crisis will end. The Minister can visit my Facebook page to see the messages they are sending to me.

As the Minister is aware, a huge proportion of households throughout the country are vulnerable. Hundreds of thousands of people face a daily challenge to simply survive. Many of these individuals are only beginning to cope with the ill-thought-out changes introduced in last

year's budget. I know the Minister is familiar with the most recent statistics which show that 20% of all adults have no money left once they have paid their essential bills. More than 50% have less than €100 left. People's disposable incomes continue to decrease and the majority of households with which I am in contact are living from week to week. The media uses the expression "the coping class" and defines its members as low and middle income earners. These people are sinking fast. Another recent statistic shows that 29% of all households at risk of poverty are headed by a person who has a job. The statistics to which I refer were furnished by Social Justice Ireland and they are all accurate.

Those to whom I refer are ordinary, hard-working people on whom we were all relying to lead the fight against the recession. They have been consigned to paying off what is termed "negative equity" until they die. I recognise there is not a huge group of individuals who are under-taxed and from whom the Minister might extract an additional €10 billion per annum to save the economy. However, I am of the view - many of us will highlight this fact in the coming weeks - that there are alternatives to targeting lower and middle income earners. We must avoid damaging the economy by - as has been the case up to now - introducing pointless cuts. I call on the Minister to be more ambitious when it comes to making decisions in respect of tackling the budget deficit. He should minimise the extent of any cuts until such time as a decision is made on our bank debt. This is a very reasonable request to make. Ordinary people do not understand the banking system but they are beginning to obtain a grasp on its workings. I suppose we have made the observation so often that it does not have the same impact but these individuals are beginning to realise that they are being obliged to pay for a problem they did not create and that those who did create it and others are not being made to pay. There is a deficiency in the political system at present whereby many of us do not seem to understand that which I have outlined. If we do understand it, we neither want to think nor talk about it.

As already stated, most households have cut out any discretionary expenditure. Many people can no longer afford the luxury of buying a cup of coffee or some lunch. There is little more which can be removed from the economy. People are not spending and those who have any money are intent on saving it. Those who can do so are saving more than their counterparts in other European member states and this is leading to the economy being damaged further. The economy will not grow because if we continue to cut, we will not be able to induce internal spending. There is a question I continually ask. Will the Minister, in the context of the various recessions since the 1930s, identify a country in which austerity has worked and led to economic growth? In America, President Obama has stated that austerity does not work. That is simple economic good sense.

There are hundreds of thousands of people in Ireland who cannot spend because they either do not have the money to do so or they are saving whatever money they possess. How can we encourage economic growth? I will abandon my script at this point. I have been informed by those who own small businesses in Waterford city that people are just not spending. As a result, businesses are being forced to close and the numbers of people on jobseeker's benefit are increasing. I accept that we must reduce our costs and spending. However, it is a fallacy to suggest that we can drive down spending and pay and that the economy will still grow. Such an approach cannot and will not work. What should we do in these circumstances? Should we continue to rely on external investment to rebuild the economy? Such a policy will fail. If I were living outside Ireland at present, I would not invest my money in a public house or restaurant or buy a plot of land. People from abroad are bypassing Ireland and investing their money in Venezuela and other South American countries in which they never previously considered

investing. The alternative with which we are left is to assist our local economy by investing in it and by abandoning austerity. The longer we continue to accept austerity as a *de facto* reality and to be of the view that there is no alternative, the more we will continue to pick away haphazardly at various public services and tax the private sector out of existence.

I will have an opportunity to speak on this matter again and at that stage I will put forward the alternatives I really wish to offer. We sometimes are accused of not offering alternatives. However, I am of the view that such alternatives exist. The Minister could do far worse than to meet the representatives of Social Justice Ireland. I have listened to what these people have to say and am of the view that some of the alternatives they suggest are viable and might just work.

**Deputy Catherine Murphy:** On the day on which this Dáil was convened, it was repeatedly stated that the Government - which has a large majority - does not have a monopoly on wisdom. I took this as quite a hopeful sign. Unfortunately, however, the Government has been engaging in a retrenchment exercise. I find myself continually trying to decipher the language used by those in government. The words used have one meaning in these Houses and quite another in the outside world. I have identified seven or eight words or terms which underpin what I am trying to say. The language to which I refer is that of political survival. It is not the language that is used by those who wish to provide people with the type of honest leadership they need. It will be a major failing on the part of the Government if it cannot convince the people to trust it. One cannot lead people if they do not trust one.

It has been stated on many occasions that the Government will protect “vulnerable people”. How does the Minister define the word “vulnerable”? This word does not signify the reality we witness on a daily basis. I refer here to people who are having their home help services, their domiciliary care payments and their access to the services of special needs assistants cut. It is in this context that one begins to see the effects of what is being done.

Last year the Minister for Social Protection stated that headline rates of social welfare payments would be “protected”. When she convened a particular group this year, it was evident that the Minister had lost people’s trust. They asked what she meant by “core rates”. They knew that “headline rates” did not mean what they thought it meant last year. People who do not engage with the social protection system do not realise that, for instance, a person denied a domiciliary care allowance is suffering a cut of 100% in their income; the reduction in child benefit payment for the third child is a cut in income; and a disregard for lone parent benefit is a cut. The rent supplement payment reduction will not save money but it will have a very real impact in places where the market rates are significantly higher than the level of rent supplement and this means that people will be displaced.

People are beginning to question and to disbelieve. They ask what the word “special” means. They are starting to disbelieve the language of this Dáil and of the Government. Does front-line staff mean occupational speech therapists or special needs assistants? Does it mean there is a doctor available but no ambulance to take a patient to the doctor?

Reform only means reductionism and a box-ticking exercise. People want to see things done in a smart way rather than cost savings being the ultimate choice. Why can the Minister not say that something is unsustainable? We know the numbers and neither we nor the people are fools. The Government would gain more credibility by talking the language people understand. For instance, we are told we are all making sacrifices. A sacrifice is a voluntary choice, not something imposed on an individual. In my view, we need to make sacrifices in the political

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sphere. I refer to the money allocated to the political system and we need change to happen in a timely manner. Unvouched expenses are no longer acceptable and I have said this on numerous occasions.

We met the troika last week. When we challenged the head of mission about his views expressed at a conference, he replied that he had made a point of saying that the most vulnerable had to be protected and he took issue with the manner in which his views were reported in a newspaper. When the troika was challenged on the fact that one in ten people is subject to food poverty, he said there was sufficient money in this country and this poverty should not be occurring. He referred to Fiona Muldoon and her engagement with the banks. We all want to see more done in that regard. Fair play to a person who says it like it is because this is always welcome.

The Government does not have a monopoly on wisdom. I refer to Social Justice Ireland's well thought-out policy document. I do not agree with all the arguments in that document but I agree with some of the points. For instance, I agree with short-term measures being bad in the longer term. We must remember that society as well as the economy needs to be protected and preserved. TASC is a think-tank on action for social change. I asked it to prepare a document on initiatives for job-rich growth and how funding might be sourced for those initiatives. I refer to the National Pensions Reserve Fund, NPRF. I am not talking about throwing money at issues as a form of stimulus. I acknowledge we have to see a return for our money. The NPRF has to be repaid in order to protect future pensions. Actions can be taken which will generate a great deal of hope. I refer, for instance, to a recent document from the Irish Congress of Trade Unions which contains some excellent ideas. Organisations are making the effort to find solutions. For instance, there is a suggestion that the two thirds, one third breakdown is fundamentally damaging to our society because of the impact on the most vulnerable. I favour a progressive wealth tax and a higher level of taxation for those earning over €100,000. Like many others, I believe this could garner in the region of €50 million. Services such as home help, SNAs, occupational or speech therapy have a longer-term consequence in people's lives. Every avenue should be explored for bringing in additional funds.

Confidence is the language of the market but in my view, people crave the language of society which is the language of hope. Unless we see an end to the paralysis and give some hope, I do not think confidence will return. It is a question of this Government seeing beyond itself and returning to what it said on its first day in office, that it does not have a monopoly on wisdom. There are plenty of people who would appreciate and understand that the Government is in a very difficult position but it will not be solved without us all being in it together. There needs to be some fairness and equality.

Debate adjourned.

### **Topical Issue Matters**

**Acting Chairman (Deputy Thomas P. Broughan):** I wish to advise the House of the following matters in respect of which notice has been given under Standing Order 27A and the name of the Member in each case: (1) Deputy Michael McCarthy - the need for Cork County Council to have vacant houses in Dunmanway occupied; (2) Deputies Billy Kelleher and Mattie

McGrath - the increasing cost of private health insurance; (3) Deputy Mary Mitchell O'Connor - the need for greater compliance and respect, among the general public, regarding disability car parking spaces; (4) Deputy Brendan Griffin - the advice given to persons in Saorsat areas regarding TV equipment; (5) Deputy Derek Nolan - the need to address delays in the pain clinic at Galway University Hospital; (6) Deputy Michael Moynihan - the need to explain to the Dáil the measures the Minister is taking on land inspections; (7) Deputy Richard Boyd Barrett - the delay in processing claims for asylum-seekers from Sudan; (8) Deputy Brendan Smith - the loss of 90 jobs at Co-operative Poultry Products, Cootehill Farms, Cootehill, County Cavan; (9) Deputy Noel Harrington - the imminent closure by the Courts Service of the courthouses in Kinsale, Skibbereen and Clonakility, County Cork; (10) Deputy Brian Stanley - the new procedure on school transport set by distance from schools only; (11) Deputy John O'Mahony - the delay on awarding students grants by SUSI and in particular the time it is taking to hear and decide on appeals; (12) Deputy Martin Ferris - the cutting of resource hours in schools for children with intellectual disabilities; (13) Deputy Aengus Ó Snodaigh - the need to open a new purpose built 70 bed public nursing home in Inchicore, Dublin; (14) Deputy Joan Collins - the cessation by Dublin City Council of works under the disability adaptations scheme 2012 due to a lack of funding; (15) Deputy John Lyons - the need to improve maternity services for patients at the Rotunda Hospital, Dublin; (16) Deputy Niall Collins - the recent repatriation of a prisoner to the Czech Republic; (17) Deputy Clare Daly - the delay in turning on Eirgrid's east-west interconnector; (18) Deputy Mick Wallace - the recruitment plans of Bord Gáis for Irish Water for the remainder of 2012; (19) Deputy Charlie McConalogue - the need to protect education in this year's budget and to carry out an impact assessment prior to any decisions being taken on resource allocation; (20) Deputy Martin Heydon - the need to review housing policy for the growing number of separated people who cannot access social housing; and (21) Deputy Robert Troy - the lack of broadband provision in rural parts of counties Longford and Westmeath.

The matters raised by Deputies John O'Mahony, Martin Heydon, Derek Nolan, Billy Kelleher and Mattie McGrath have been selected for discussion.

*Sitting suspended at 2 p.m. and resumed at 2.30 p.m.*

The Government does not have a monopoly on wisdom. I refer to Social Justice Ireland wy8yhas a very good and well thought-out policy document

## **Ceisteanna - Questions**

### **Priority Questions**

### **Gangland Killings**

1. **Deputy Niall Collins** asked the Minister for Justice and Equality the progress that has been made in confronting the increase in gangland crime over the past number of weeks; and if

he will make a statement on the matter. [46576/12]

3. **Deputy Finian McGrath** asked the Minister for Justice and Equality if he will clarify that there is an action plan that will tackle the recent gangland murders and crimes; and if so, if he will outline same. [46644/12]

**Minister for Justice and Equality (Deputy Alan Shatter) (Deputy Alan Shatter):** I propose to take Questions Nos. 1 and 3 together.

I share the widespread outrage at the serious crimes which have been carried out recently and fully appreciate the concerns of communities that find this violence taking place on their local streets. The brutal nature of these crimes is a stark reminder to us of the mentality of those involved in organised criminality and the danger they pose to our society. I am in ongoing contact with the Garda Commissioner about all aspects of serious crime and the Garda will continue to bear down heavily on the activities of those involved in gangland crime. Specifically, the Garda Síochána policing plan sets out key actions aimed at tackling organised crime, with a continued focus on drug trafficking, identifying and targeting the proceeds of crime and challenging organised crime gangs through proactive, intelligence-based operations. The determination with which the Garda is putting this plan into effect is clear from the extent of the Garda operations

launched against gangs as well as the many drug seizures that have taken place in recent months, weeks and days. I take this opportunity to congratulate the Garda Commissioner and all in the Garda Síochána on their successes in tackling serious crime as well as all other forms of crime. The most recent recorded crime statistics, which were released last month, indicate that in most categories crime levels are falling, which also reflects well on the work of the Garda Síochána. These figures showed that in the 12-month period to the end of June, the number of murders decreased by 8% and the number of assault offences declined by 9.7%.

We should not underestimate the difficulties the Garda faces in trying to prevent gangland killings and related crimes and bringing the perpetrators to justice. These crimes are carefully planned and carried out by people who are familiar with criminal and forensic investigation techniques. Moreover, even where members of gangs are clearly at risk, not only will they generally not co-operate with the Garda, but they will do everything they can to avoid Garda attention. Unfortunately, there has been gangland violence for some time. Where gardaí learn through intelligence that an individual engaged in criminality has been targeted by others, where possible, they warn the individual under threat. However, it is unrealistic to expect the Commissioner to devote his entire resources to individually protecting people who are routinely trying to avoid gardaí in order that they can continue to engage in criminal activity. Such an approach could only come at the expense of ordinary Garda activity to protect the community generally.

The only effective way to combat organised crime is by disrupting and prosecuting those involved in its operations, especially the drugs trade, which is at the heart of much of its profits. Substantial efforts by the Garda Síochána and Customs and Excise are, therefore, devoted to damaging this lucrative business, with the value of drug seizures estimated at €59.3 million for the first six months of the year. This figure does not include a number of substantial seizures made towards the end of the period in question, which remain under analysis and include the largest ever inland seizure of cocaine made in this jurisdiction. These successes are being achieved on a daily basis. Earlier today, as part of Operation Nitrogen, an intelligence-led

investigation by the Garda national drugs unit, assisted by divisional units, conducted eight searches into cannabis cultivation around the country which resulted in the discovery of four large industrial-style grow houses and a storage depot for equipment used in cultivation. A number of individuals have been arrested at multiple sites and thousands of cannabis plants have been seized at various locations, with an initial estimated value of €4.96 million. Similarly, and again only this morning, a diesel-laundering operation was disrupted in Dundalk, with 21,000 litres seized. I do not want to go into detail and risk prejudicing these investigations or any prosecution; I cite these cases simply to underline that the Garda is conducting effective operations, in conjunction with Customs and Excise, on a continual basis. I congratulate both organisations on these most recent successes and all of those involved on the side of the Garda Síochána in the events of today.

As Minister, I will continue with the full support of the Government to do everything in my power to assist the Garda in its work. Very strong anti-gangland legislation is in place and I have made clear to the Garda Commissioner that if he believes there are other measures which might be taken in this area, I will consider them positively. However, it is misleading to suggest there is some simple legislative solution that will prevent dangerous criminals from trying to kill each other. If that were the case, it would have been enacted years ago.

Despite the difficulties it encounters, I understand the Garda has been able to bring people before the courts, particularly for a number of high-profile killings that have taken place in the past couple of years, although it will be some time before the cases in question are disposed of. As Deputies will be aware, arrests have been made in the cases of a number of recent shootings and a person has been charged in connection with one killing. The Garda Commissioner has my full support in continuing to confront this type of criminality and bringing those involved to justice.

**Deputy Niall Collins:** Arising from the murder on 3 September 2012 of Mr. Alan Ryan, and in the absence of the Minister, who was unavoidably detained, Deputies discussed at length with the Minister of State at the Department of Justice and Equality, Deputy Kathleen Lynch, the fallout from a disgusting series of events that took place at Mr. Ryan's funeral. The activities in question had the potential to inflict severe reputational damage on Dublin city and the country. They were not done in the name of republicanism but were acts of criminality, nothing more or less. Since the murder of Alan Ryan, it has been disturbing to note that children have witnessed several other murders on our streets in broad daylight. We must take this issue seriously.

I welcome the decision of the Garda Commissioner to appear before the Joint Committee on Justice, Defence and Equality. Several weeks ago, I stated in the House that we must do everything possible to assist the Garda in stamping out gangland crime. I also called on anyone with information to assist the Garda, a call I reiterate today. While I concur with the Minister that there is no simple solution to the problem of gangland crime, we need to provide adequate resources for the Garda Síochána and show political leadership. Resourcing the Garda is a matter for ongoing discussion. While I and the Minister have shown political leadership on this issue, in Limerick, where 50 gardaí were deployed under Operation Ambience to arrest nine people, Sinn Féin has provided political cover to criminals and thugs. The party described the activities of the Garda in furthering its investigations as disgraceful and an overreaction. I ask the Minister to join me in condemning the comments of Sinn Féin. It would be unfair to describe them as a new low as they are a continuation of that party's low standards in giving political cover to thugs and criminals who pose as republicans while engaging in gangland activity. We

must give political leadership in this matter.

**Deputy Pádraig Mac Lochlainn:** Deputy Collins should take a reddener. He should be ashamed of himself. He would not know the meaning of leadership.

**Deputy Niall Collins:** I condemn outright the public comments by Sinn Féin that the Garda overreacted in investigating the disgraceful activities that took place at the funeral of Alan Ryan. I call on the Minister publicly to condemn the comments also, as I am sure other public representatives will do. If Sinn Féin is to be taken seriously, it must resile from the comments in question.

**Deputy Alan Shatter:** I very much welcome the Deputy's continuing support for the work An Garda Síochána is doing. It has the full support of the Government in the work it is doing.

On the barbaric shooting of Alan Ryan, the Garda dealt in an appropriate manner with the despicable events that took place during the course of the funeral which, essentially, was used by those engaged in subversive activities and criminal terrorism to put on a display in Dublin. A contingent present at the event had come down from Northern Ireland and I condemn the volley of shots fired. The Garda dealt with the matter in a manner based on the best policing approaches, both North and South, where large numbers are gathered at an event, bearing in mind the welfare and safety of those innocent of any criminality present. Following on from that event, I can tell the Deputy that there has been substantial Garda activity. I am always cautious about saying anything that might prejudice investigations or prosecutions, but I expect the public and the Deputy to become aware of the successful outcome of investigations conducted and charges brought against certain individuals arising from that event. I am sure the Deputy will appreciate if I say no more than this.

It is of substantial importance that there is no ambivalence on the part of any Member of this House or any party in it in his or her support for An Garda Síochána. The criminal terrorists we have on the island who like to term themselves "dissident Republicans" are individuals substantially engaged in criminality, including fuel laundering, drugs and a broad range of other criminal activities such as tobacco smuggling. They are greasing their own palms with the profits they earn from these activities. It is of the greatest importance that there be no question of hesitancy in the support given to the Garda in dealing with these individuals or those involved in gangland crime. It is important that no Deputy and no party is exercising any mental reservation in the support given to the Garda.

**Deputy Finian McGrath:** There is no ambivalence in supporting the Garda and sensible anti-crime measures. On the comments made about the funeral, as the Deputy representing the area, I commended the Garda for the way it handled the issue. Many innocent local people were involved and we could have ended up in a difficult situation. The local point of view was that the Garda had handled it very well.

On gangland crime, there is no simple solution to this difficult and complex problem, but people on the ground are crying out for help because there is massive intimidation and they need more support both from the Garda and politicians. Recently I met representatives of the Family Support Network which provides 44 family support services. They have worked with families experiencing intimidation and tell me that it is horrific. They knew about intimidation originating from a debt of €500 or less. Some people were being intimidated in respect of amounts ranging from €10,000 to €20,000. There had been 39 verbal threats, 33 acts of

physical violence and 33 attacks on people's homes. Is the Minister aware that there is massive intimidation in some communities, particularly in my constituency of Dublin North Central where people are very frightened and want to see more action taken to deal with the issue?

**Deputy Alan Shatter:** From previous comments made by him in the House, I know the Deputy is supportive of An Garda Síochána and I welcome what he said. The Garda dealt with a very difficult event at the funeral mentioned with great intelligence and insight. As I said, there will be consequences - there have been some already - for the display that was put on.

The Deputy has referred to individuals being intimidated. If intimidation is taking place, I urge the Deputy to furnish any information he has to An Garda Síochána. Any individual who believes he or she is being intimidated should give full information to An Garda Síochána and identify those engaging in it where he or she can do so because the greatest weapon available to assist the intimidator is fear, silence and a belief individuals will not go to An Garda Síochána. The way to ensure communities will not live in fear and that individuals will not be intimidated is to provide the Garda with the maximum amount of information.

In the context of Alan Ryan's funeral, the Real IRA leader, reference was made to Operation Ambience which was launched by the Garda Commissioner. Nine men who had attended the funeral were arrested in Limerick, some of whom may have played a significant role on the day. It was surprising - I agree with Deputy Collins on this - that the Limerick city councillor, Maurice Quinlivan, who is a member of Sinn Féin and apparently knew a number of those arrested, accused the Garda of over-reacting. As Minister for Justice and Equality, if people were to engaged in illegality on the streets of Dublin, if any individual was to be intimidated on the streets of Dublin, or if shots were to be fired unlawfully by way of tribute to a deceased person on the streets of Dublin, that would be entirely unacceptable. If, as a consequence, Garda action was to be taken, the Garda would have my full support in the action taken. As I said, I expect that it would also have the full support of all parties represented in this House and their members.

## **Judicial Appointments**

2. **Deputy Pádraig Mac Lochlainn** asked the Minister for Justice and Equality his plans to restore public confidence in the judicial appointments process in view of media revelations that as many as one third of judges here have personal or political connections to political parties before being appointed to the bench. [46417/12]

**(Deputy Alan Shatter):** I reject entirely the inference in the Deputy's question. Under the Constitution, judges are appointed by the President on the advice of the Government. Such appointments are dealt with by the Judicial Appointments Advisory Board which was established pursuant to the Courts and Court Officers Act 1995. Under section 16 of the Act, where a judicial office stands vacant or before a vacancy in a judicial office arises, the advisory board submits to me, as Minister for Justice and Equality, the names of the persons recommended for appointment. I then bring the names to the Government which decides the nomination. This system has operated under successive Governments since 1995 and our independent Judiciary has served the country extremely well.

With a view to ensuring the most up-to-date practice, particularly by reference to other jurisdictions, I have asked my officials to conduct an examination of the current procedure. The review is ongoing and I will consider the matter further on completion. Any proposal to revise

the current system of judicial appointments or amend the existing legislation would be a matter for consideration by the Government.

The Deputy's question is based on a presumption that no lawyer who engages in democratic politics should ever be appointed to the Judiciary, that any such engagement should render an individual ineligible for judicial appointment, and that such engagement in some way permanently contaminates his or her capacity to act with judicial independence in cases that come before the courts. It is a tradition in constitutional democracies all over the world that practising lawyers make a substantial contribution to politics and the development of legislative reform and I am sure the Deputy's party, in its parliamentary work, is assisted by members of the legal profession with a variety of expertise.

By contrast with constitutional democracies, lawyers who favour democratic politics and propose legislative reform are usually excluded from judicial appointments in totalitarian dictatorships. It is clear from the conduct of the Judiciary since the foundation of the State that members of the Judiciary, at all levels within the courts system, have acted with independence and that no political bias, in the sense of there being a party political bias, is discernible in decisions made and judgments delivered. The acknowledgment by the Deputy that two thirds of those appointed to the Judiciary do not have a personal or political connection to political parties is, of itself, confirmation that having such connections is not required for judicial appointment and that the public should have full confidence in the independence of the Judiciary at all levels within the courts structure.

**Deputy Pádraig Mac Lochlainn:** First, I want to clarify Sinn Féin's position for the record of the House. We have no ambivalence in standing by the Garda in carrying out its duties. We have been unwavering in our challenge to dissident republicans across this island. In fact, many of our party members have been personally targeted for that approach. Mr. Mitchel McLaughlin, MLA, has had his home attacked on several occasions by these individuals. It is absolutely shameful for any Deputy to suggest any ambivalence on the part of Sinn Féin in confronting dissident republicanism. We have not been found wanting in taking on those who believe violence will achieve their objective.

Regarding Councillor Maurice Quinlivan's comments, he made the point he knew some of those who attended a funeral and he was concerned that this would bring one under suspicion as some type of a dissident. That is a human rights point and nothing else.

**An Leas-Cheann Comhairle:** The Deputy must ask a question. There is an issue with time limits.

**Deputy Pádraig Mac Lochlainn:** In fairness, a Leas-Cheann Comhairle, I had to correct the record of the House on these matters.

I accept the Minister's premise that it would be unfair for someone in the legal profession who has been involved in politics to be excluded from a judicial appointment. The solution is simple. The recommendations of the judicial appointments advisory board do not have to be accepted by the Minister. He can change that to an independent appointment decision. In 2011, there was a major media report on judicial appointments and five out of six judges appointed were found to have close links to one of the Government parties. That does not help with public confidence. The Minister can easily change the process through legislation to create an independent body for judicial appointments.

**Deputy Alan Shatter:** There were a great deal more than five judicial appointments made last year, so I do not know exactly what the Deputy is talking about when he says five out of six judicial appointments involved members of my party. There were substantial appointments made at all levels of the courts. Some of the individuals would have been engaged in politics; many of them were not. There were also individuals who were promoted from one court level to another because of the excellence of their reputation as members of the Judiciary and not connected in any shape or form with politics.

I would not rely, as Deputy Mac Lochlainn does, on the manner in which these matters are presented in the print media. That manner is to denigrate anybody appointed to the Judiciary who has ever been engaged in politics or assisted any political party at any time. It assumes it is the only reason for their appointment and entirely ignores their legal or judicial career. From my recollection, the bit of that report to which the Deputy referred, identified at least two individuals with a particular political party and who were promoted from one court to another. Ironically, they were originally appointed to the Judiciary when an entirely different party was the lead party in government. Their presence in the Judiciary was, accordingly, counterintuitive to the suggestion that the only reason they were appointed was because of political connections.

**An Leas-Cheann Comhairle:** Thank you, Minister.

**Deputy Alan Shatter:** The Deputy should not be lead on this issue by a media which wants to present these appointments as outrageous and scandalous when they were actually on merit because of the excellence, independence of judgment and expertise that the individuals will bring to the Judiciary. That is a key and important issue. That has been the basis on which appointments have been made by the Government, as well as an assessment that an individual will fully and properly carry out their independent constitutional duties as members of the Judiciary.

**Deputy Pádraig Mac Lochlainn:** As the Minister knows, thousands of solicitors and barristers have applied to become judges over the past 15 years. There is significant demand and competition for these much valued positions. I accept the Minister's premise. We want to have people involved in politics but one should not be punished for a contribution to political life. The only way, however, we can restore public confidence in this issue is to give the power for judicial appointments solely to the judicial appointments advisory board and remove the power of the Minister or Cabinet to make that decision. Accordingly, it would be then beyond reproach.

**Deputy Alan Shatter:** It must be remembered those who are appointed, save in the cases of promotion, first came through the judicial appointments advisory board. It is important in a constitutional democracy that we have balance and accountability in these matters. The Government and the Minister of the day is accountable for appointments made, albeit the names come through the judicial appointments board. However, if someone thoroughly unsuitable is appointed, the Minister is accountable and is required to come into the House on the matter.

Some other countries have created an independent judicial appointments system which has no accountability but instead allows a select number of judges and legal professionals to determine exclusively who is appointed to the courts. No matter how independent such a group may perceive itself, in the absence of accountability there is always a risk that those appointed are those whose presentations in court are most approved of by the judges making the selection. Having a completely unaccountable body, exclusively making appointments with no accountability to Parliament of any description is not the best solution.

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There is no monopoly of wisdom in or a perfect system for a judicial appointments system. No matter what objections people may raise to the current system, it is extraordinarily difficult if not impossible in the context of the myriad of appointments made to the Judiciary in recent decades or even after 1922 to identify a judgment delivered which could be perceived as being based on support of a particular party in this State.

**An Leas-Cheann Comhairle:** Thank you, Minister.

**Deputy Alan Shatter:** I know some Members, the general public and the media may disagree with decisions made or sentences imposed by the courts. However, they are occurring within an independent environment. There is no suggestion that our Judiciary is party politically biased in any shape or form. The problem with this dialogue is that it is based on the assumption they are and, therefore, we should change the appointments system. I do not regard it as perfect and feel it could be improved. That is why we are reviewing it.

**An Leas-Cheann Comhairle:** Thank you, Minister.

**Deputy Alan Shatter:** I am not enthusiastic for a system that allows a body not to be accountable to Parliament making appointments with the Government playing no role. If that were to happen a constitutional referendum would be required. I suspect the general public may not be enthusiastic about that either.

*Question No. 3 answered with Question No. 1.*

### **Legal Services**

4. **Deputy Niall Collins** asked the Minister for Justice and Equality his views on concerns around rising costs due to changes recommended by the Council of the Law Society's Conveyancing Conflicts Task Force with regard to the use of multiple solicitors in conveyancing contracts; and if he will make a statement on the matter. [46577/12]

**(Deputy Alan Shatter):** I previously addressed this matter in my written reply to Question No. 450 of 16 October 2012 which I will, therefore, substantially revisit on this occasion.

*3 o'clock*

As the Deputy will be aware, the matters raised relate to the conveyancing conflicts of interest regulation which was adopted by the council of the Law Society of Ireland on 7 September 2012 with a view to its coming into effect on 1 January 2013. The Law Society of Ireland is the independent statutory body for the regulation of the solicitor profession in the State. Section 5 of the Solicitors Act 1954 provides for the society to make regulations that are necessary for the carrying out of its functions and requires that such regulations be laid by the society before each House of the Oireachtas, such as occurred with the regulation raised by the Deputy on 2 October under statutory instrument No. 375 of 2012. The new regulation, which prohibits the same solicitor from acting for both vendor and purchaser in conveyancing transactions, was made by the Law Society of Ireland on foot of the recommendations contained in the Conveyancing Conflicts Task Force Report published by the society in July last. The task force was specifically established to look at the existing guidelines and regulations relating to solicitors acting for both parties in such transactions. The report, publicly available on the website of the Law Society of Ireland, details the arguments put forward in favour of and against the introduction of

this regulation and explains the reasons behind the decision to propose its adoption. It sets out how the task force undertook extensive consultations with members of the solicitor profession and other relevant interested parties and stakeholders and took account, *inter alia*, of the joint HSE and UCD report Abuse and Neglect of Older People in Ireland, published in November 2010. The task force also researched and reviewed the regulatory regimes in other jurisdictions and analysed judicial and academic commentary relevant to all issues considered.

I am aware that, while the focus of the Law Society of Ireland task force was centred upon preserving the probity and integrity of the conveyancing regime, the task force gave some consideration to the issue of costs and the perception that a package-deal approach to family group conveyancing represents an opportunity for savings to be made. This perspective has been reflected to some degree by Deputy Collins in his question. However, while there may be some substance to this perception, I expect, on the basis that legal fees should arise only in respect of the actual work done by any solicitor involved, that the relevant costs would even out across the parties.

*Additional information not given on the floor of the House.*

More fundamentally, any savings made should be weighed up against the avoidance of a conflict of interest, the duty upon solicitors to refer additional clients in voluntary transfers for independent legal advice and the security and protection of one's own interests and title to property that derive from separate legal representation. None the less, I am happy to see the costs aspect of the implementation of the new regulation monitored in real time, including in the context of the new and more transparent legal costs regime to be introduced under the Legal Services Regulation Bill 2011.

We should acknowledge the lessons of previous litigation in this area and of our erstwhile property boom, which point to the fundamental need to avoid conflicts of interest in the conduct of conveyancing transactions, whether on the part of solicitors or on the part of their clients, and including cases in which multiple family members or elderly or otherwise vulnerable family members may be concerned. While it would be better if such protections were not necessary, there can be no doubt that the new regulation affords better protection to solicitors and to their respective clients from any claims, now or in the future, that the issue of undue influence arises in respect of any conveyancing transaction. Similarly, in non-family conveyancing transactions, the interests of seller and purchaser seem to be better represented and protected in their own right under the new regulation. On balance, and notwithstanding the inconvenience and possible additional cost that may arise from individual legal representation in family group conveyances, it is difficult to argue that the quality and efficacy of a conveyance transaction is not better assured in the longer term by that means.

**Deputy Niall Collins:** It is fair to point out that the State's regulatory role has been conspicuous by its absence in respect of the Law Society of Ireland and its solicitors on several levels. There was no obvious referral to the Oireachtas or public representatives in the passing of this regulation by the Law Society of Ireland. The effect has been that of a price-increasing mechanism; immediately, the public is being faced with an increase in legal fees. This is contrary to what we are trying to do in the Oireachtas with the Legal Services Regulation Bill. It is fair to point out that for uncontested conveyances, this will lead not only to a doubling but to a multiplication of legal fees. There will be scenarios in which a parent might leave a property to several children, perhaps three, four or five. Each sibling will have to have separate legal representation and it will not be possible for two solicitors to be involved. Also, this was not a

unanimous decision by the Law Society of Ireland. I understand a certain amount of division existed in its reaching this decision.

We should bear all of this in mind and we should bear in mind what we are trying to do, which is to bring greater transparency to this decision and achieve greater value for money for people in conducting their legal affairs, which have been rather expensive over the years. The Minister is in charge of revisiting the Legal Services Regulation Bill. What is his view? Was this not a wrong and unfair decision which will impose increased legal costs on people undertaking transactions? The Minister proposes to amend the Legal Services Regulation Bill. Could we revisit this as part of the process? It is a genuine issue of concern. The point has been made by the Law Society of Ireland that this is on foot of several recommendations in the report. However, if rogue solicitors are in operation there should be robust mechanisms to deal with those people, especially if they are not giving their clients proper advice or services. The way to deal with this is not by forcing families to use a plethora of solicitors when they engage in simple family transactions. It is ridiculous. What is the Minister's take on it?

**Deputy Alan Shatter:** I put it to the Deputy that central to this issue are conflicts of interest. Central to this issue are certain legal practices that we saw during the boom years. The Deputy referred to some of those who were opposed to this. They were the larger legal practices, as opposed to the mid-range or smaller practices. They were opposed to it because they were doing work representing clients in circumstances in which there were substantial conflicts of interest. Where a conflict of interest exists, it is not always a case of a rogue solicitor. It may simply be a case in which a solicitor is cutting corners and not adequately ensuring that the necessary comprehensive work is undertaken. One of the great difficulties we discovered when the banks collapsed was caused by what we saw many years ago as a great reform. One solicitor was able to represent the purchaser of a property as well as the financial institution providing the mortgage loan. The solicitor could simply write a certificate to the bank to confirm that everything was in order. This was introduced many years ago because people objected to having to incur additional expense in circumstances in which the bank had to engage solicitors. We should bear in mind the disaster this has brought about in the context of the complex difficulties that have arisen for banks which are now owed substantial sums of money in cases in which legal work was not adequately done and the banks have inadequate security through title of property for moneys lent. This is a problem for individual financial institutions and, I understand, it has also resulted in substantial expense for NAMA.

The aim of this is to ensure that we have a proper legal system and that people get independent advice. Any savings made by allowing one lawyer to undertake work where there is a serious conflict of interest must be weighed against the necessity of avoiding general conflicts of interest, the duty upon solicitors to refer additional clients in voluntary transfers for independent legal advice and the security and protection of a person's interests and title to property that derive from separate legal representation. This is crucial, and I hope the Deputy will acknowledge it. Situations such as those to which I refer occurred - I am not being party political - under the noses of the Deputy's colleagues in government. We must acknowledge the lessons of previous litigation in this area and of the property boom, which point to the fundamental need to avoid conflicts of interest in the conduct of conveyancing transactions, be it on the part of solicitors or on the part of their clients, including in cases involving multiple family members or elderly or otherwise vulnerable family members. Substantial litigation has taken place in our courts over the years in which elderly family members have found themselves in difficulties after signing over property to sons or daughters and were at risk of being out on the street or,

where a property has been signed over and used to raise additional borrowings, that property is in difficulty and repossession is sought.

It is not simply a cost issue. I would be glad to see real-time monitoring of the costs that are incurred due to the new arrangements. If an issue needs to be addressed it will be addressed, but we will have a more transparent legal cost system when we have enacted the Legal Services Regulation Bill. Given everything I have seen as a lawyer over 30 years and the difficulties I have had to deal with as a constituency representative, I believe it is crucial, in dealing with conveyancing matters - whether people are young or elderly and whether it is within families in which there may be a substantial breakdown in relationships at a later stage - that individuals get independent legal advice. The Deputy referred to the fact that if a person wishes to leave property to three or four children, all of the children must get legal advice. That is not true. If a person is leaving property in the sense of making a will, it is the individual who makes the will who should get legal advice.

**Deputy Niall Collins:** I am referring to the transfer of a property.

**Deputy Alan Shatter:** The children do not need legal advice in those circumstances. If the circumstances involve a parent conveying a property to several children, it makes sense that the parent is represented by a lawyer who is entirely independent of the children. That makes sense because there is a risk an elderly parent could, in circumstances within a particular family, be under some level of duress to transfer property in circumstances where it is not in his or her interests to do so.

**Deputy Niall Collins:** If a parent is transferring a property to five siblings, each of them must have his or her separate legal representation. That is the point. That amounts to a money grab by the Law Society.

The examples the Minister cited in solicitors acting for a person on a mortgage with the bank should not happen. There should be a mechanism to deal with that but this, by targeting the small people, is not the way to deal with it. It is honest solicitors, who will give a good service and a good job, who are being lumped in on the back of a couple of rogue practitioners. The ultimate effect of that is everybody must pay, and that is wrong.

**Deputy Alan Shatter:** I come back to what I stated. Where there is one solicitor representing all, apart from the fact that the persons concerned do not get independent legal advice in those circumstances, the solicitor earns additional fees because he or she is representing all. In circumstances where there are different solicitors representing separate individuals, it guarantees those concerned that they will get independent legal advice and there will not be a conflict of interest. There should not be substantial additional expense because the legal work is shared around.

In so far as there is any suggestion that legal costs could be excessive, shortly I hope to be in a position to progress the Legal Services Regulation Bill 2011. We will have a new transparent cost structure in place and on the complaint that the Deputy made at the start that the Law Society in some areas is not accountable or does not deal with Members of this House, there will be a legal services authority that is separate from the Law Society and independent of solicitors, that is accountable in the manner in which it works to this House and that will have to report directly to this House, and whose members will be open to question on its annual report by the Joint Committee on Justice, Defence and Equality.

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## Restorative Justice

5. **Deputy Pádraig Mac Lochlainn** asked the Minister for Justice and Equality his plans to expand community restorative justice programmes throughout the State; and his views on the contribution these programmes can make to the overall justice system. [46414/12]

**Deputy Alan Shatter:** The Probation Service, in partnership with community based organisations, is engaged in the promotion, development and delivery of restorative justice initiatives. Extending the range of restorative justice schemes is a strategic priority for the Probation Service.

As regards adult offenders, the Probation Service has expanded the restorative justice service based in Tallaght to the Criminal Courts of Justice and the courts in south County Dublin, while the Nenagh Community Reparation Project has been extended to the courts in north Tipperary. Both services are operated through community-based organisations. This has been done following a 12 month pilot which the Probation Service commenced in June 2011 to test a range of restorative interventions based on the recommendations contained in the report of the National Commission on Restorative Justice. A restorative justice project focusing on young offenders has also been developed in partnership with the voluntary and community sector in Limerick.

For my part, my focus is to encourage the use, to the greatest extent possible, of the menu of non-custodial options available to the courts. I believe the restorative justice concept has a place in that range of available options and it is my intention to build on the progress being made. I very much welcome the progress that has been made to date to the extent that we have now gone beyond merely having pilot schemes in place.

**Deputy Pádraig Mac Lochlainn:** I welcome the Minister's positive assessment of the potential of community restorative justice. A short briefing note from Community Restorative Justice Ireland on the issue states that restorative practices are underpinned, informed and shaped by a value-base of eight key components. These are participation, interconnectedness, honesty, humility, respect, accountability, hope and empowerment. In terms of the ethos, CRJ Ireland is engaging in schools and trying to develop that sense of collective responsibility from the school up.

It has often been said that if we can invest in prevention rather than cure, we would save a great deal of money for the taxpayer over the medium to long term. As my party's spokesperson for justice, I look forward to working with the Minister to develop these projects in the future. I have had the privilege of visiting some of the projects. One hears stories about the difference that it makes to estates that were really under fierce pressure with one or two families but, with a common sense approach and a collective response, the difference it made was tremendous. Of course, it saves the taxpayer a fortune in having to put people in jail down the line.

**Deputy Alan Shatter:** I welcome what Deputy Mac Lochlainn said. From past exchanges on this issue, I am aware there is support from all sides of the House that we further develop and expand the restorative justice process.

It is interesting to note the differences between the traditional approach and restorative justice. Of course, restorative justice is not appropriate in every circumstance but there are offenders for whom it is appropriate and there are victims of crime who are willing to engage. When

that occurs there are significant benefits, particularly when one is dealing with young people and one is trying to ensure that they move away from the possibility of further criminality.

In the context of making the comparison, it is interesting that restorative justice essentially requires offenders to speak for themselves from start to finish whereas if one brings them into a court system, apart from saying “guilty” or “got guilty”, the offender may say nothing at all in court, and certainly is not emotionally engaged necessarily in an exchange where he perceives the person against whom the offence was committed as truly a victim of that offence. No doubt offenders find the restorative justice process emotionally demanding and tough and it gives them an opportunity to see the victim as a person and to say “Sorry” to him. There is really no chance of doing that in a court process. It happens only occasionally. The offenders do not see what they have done as an offence against a victim. The criminal justice system is designed to present it as an offence against the State as opposed to an offence against the victim. There is a considerable benefit in those who engaged in crime, in particular, where it is minor crime, understanding the impact of their conduct on the victim, coming face-to-face with the victim, and having a dialogue with someone who, in most cases, they never knew and in circumstances where they do not understand the impact or consequences of their actions.

Deputy Mac Lochlainn can take it that I am an enthusiast for extending the use of restorative justice just as I believe in the importance of our extension of the community service orders mechanism. The latter mechanism is working and more people are engaged in that area. These are two mechanisms, which facilitate dealing with criminality without people spending time in prison and which give them a greater insight as to contributions they may make to their own communities.

## **Other Questions**

### **Criminal Prosecutions**

6. **Deputy Robert Dowds** asked the Minister for Justice and Equality the contact that he has had with the Garda Commissioner regarding the conviction rate for white collar crime as reported in a publication (details supplied); his views on the statistics outlined in the report; and if he will make a statement on the matter [46310/12]

**(Deputy Alan Shatter):** The conviction rate for any given category of offence relates in the first instance to the outcome of the criminal prosecution process and the Deputy will appreciate that my role does not extend to the bringing of prosecutions, or indeed to the determination of guilt, which is a matter for the courts. However, I am of course concerned to ensure that the investigation and detection of fraud and white-collar offences is as effective as it can be and that An Garda Síochána has available to it the necessary legislative and other supports to this end.

I am familiar with the particular newspaper report referred to by the Deputy. At the outset I should point out that the relevant Central Statistics Office offence category is “Fraud Offences”. This category may encompass a wide range of criminal activities from elaborate corporate

fraud to offences such as forgery and consumer frauds. It is also important to note in interpreting figures for detection and conviction rates that the investigation, detection and prosecution of any offence may take a number of years. This is particularly so where the crime may be complex, as is often the case in fraud offences. Accordingly, the initial conviction rate for any given year will inevitably appear lower than the eventual rate. For this reason great caution should be exercised in comparing, as the article appears to do, conviction rates for offences recorded in 2004 with those recorded in 2010.

Notwithstanding the challenges faced in the investigation of fraud and white-collar crime, I attach the highest priority to the full investigation of these offences and bringing the perpetrators of such crime to justice. The programme for Government contains a commitment that rogue bankers and all those who misappropriate or embezzle funds are properly pursued for their crimes and that the full rigours of the law will apply to them. I am briefed on an ongoing basis by the Garda Commissioner on the progress of the major white-collar crime investigations which are under way, and have been assured by the Commissioner that sufficient resources are allocated to the Garda Bureau of Fraud Investigation.

Within eight weeks of taking up office, I moved urgently to draft, and seek Government approval for the introduction of additional legislation. This new legislation, the Criminal Justice Act 2011, was enacted on 2 August 2011 and provides vital assistance to the Garda Síochána in the completion of current white-collar crime investigations, as well as providing assistance to them in investigations undertaken in the future. The Commissioner is aware that any further legislative proposals he might wish to have put in place to assist in the investigation and detection of white-collar crime or of fraud offences generally will be positively considered by me.

### **Human Rights and Equality Commission**

7. **Deputy Martin Ferris** asked the Minister for Justice and Equality if he is satisfied that his plans to nominate the Director of the new Human Rights and Equality Commission are in line with best international practice and in particular with the Belgrade Principles. [46419/12]

**Deputy Alan Shatter:** I am entirely satisfied that all the elements of my proposals in relation to the establishment of the new Irish Human Rights and Equality Commission, IHREC, as set out in the general scheme published last June, are fully in accordance with the Paris Principles, which are the set of rules or standards that relate to the accreditation of national human rights institutions for UN purposes. These principles include that commissions should be free to recruit their own staff. The general scheme provides that for the future, the new commission will be free to recruit its own staff but recognises that we are in a merger situation with two existing bodies, whose staff will transfer across to the new Irish Human Rights and Equality Commission. This includes the one existing person at CEO level, who will become the director of the new body. The person involved is not my nominee but is the person *in situ* in a merger situation. The Government and the new commission would be subject to justifiable criticism were the cost of a duplicate CEO director post to be incurred. Lest there be any doubt, I am completely satisfied that the person in question will do an excellent and independent job in the role. The decision to continue with the existing CEO during the initial transitional phase as we set up the new body is a rational one which is supported by the emphasis in the working group's report on the need for change management and continuity during this phase. The person concerned was recruited by the Equality Authority, not by my Department, using the services of

the Public Appointments Service. She is an employee of the authority for the duration of her contract and not of the Department. She is not on secondment from the Department, that is, her salary is paid by the Equality Authority. She does not report to or take instructions from the Department. Likewise, she will become an employee of the Irish Human Rights and Equality Commission. If the Equality Authority CEO post, rather than the Human Rights Commission post had become vacant, the exact same process would have been followed, subject to the person involved also becoming an employee of the Irish Human Rights and Equality Commission.

There are no specific references to staffing issues in the Belgrade Principles, which relate to the relationship between national parliaments and national human rights institutions and cover such issues as parliamentary oversight of the selection process for recruiting commissioners. I am entirely satisfied that every thing we are doing and the very helpful and productive involvement of the Oireachtas Committee on Justice, Equality and Defence in reviewing the general scheme of the Bill and in meeting with members of the selection panel has been entirely positive and in line with the spirit of the Belgrade Principles.

**Deputy Pádraig Mac Lochlainn:** I thank the Minister for his response. The UN office of the High Commissioner for Human Rights had concerns about the whole approach here. I attended the committee meeting where the selection panel made its presentation and would certainly have no issue with the five members of that panel. Their contribution to public life speaks for itself. I have no doubt about their integrity and the fact they will recommend a very capable commission when the time comes. However, concerns arise - this echoes somewhat the earlier discussion we had on judicial appointments - when the Minister has the ability to appoint people and does not give that task to an independent body. The process by which the five panel members were selected was criticised for a lack of independence. Again, I must reiterate that I have no issue with the five panel members. Their capacity is obvious but the Minister knows that there has been criticism of its selection. Indeed, the members of the panel stepped aside voluntarily for a period. They then appeared before the Joint Committee on Justice, Defence and Equality. As a member of that committee, I am happy to assist the process towards its completion but I urge the Minister to reconsider the way in which this matter was approached. We must ensure that the independence of the commission, as required by the Belgrade Principles, is not in question. Human rights commissions must be clearly separated from governments and fearless in their defence of human rights.

**Deputy Alan Shatter:** There has been some ill-informed and misinformed criticism of our proposals which has resulted in some individuals and some sections of the media being misled. It was always our intention, as announced, that a group of individuals, clearly independent of Government, would be appointed as a selection panel and they were so appointed. I do not know what other procedure the Deputy is suggesting. We cannot have independent people emerging from the ether and self-appointing themselves. Somebody, at some stage, has to have some accountability for the way we conduct public affairs. A selection panel was selected, whose members, as the Deputy acknowledges, are unimpeachable in their independence. Indeed, the Joint Committee on Justice, Defence and Equality recognised them as being unimpeachable so I cannot work out why the process should be the subject of criticism of any description, other than because there are some individuals who feel compulsively required to criticise everything.

I thank the Deputy for reminding me that we took an initiative. It was our initiative to write to the Deputy High Commissioner for Human Rights to seek her advice on the heads of the Bill because of the important role her office has in providing the secretariat to the international co-ordination committee that deals with the accreditation of national human rights institutions.

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There was some confusion created about the status and contents of her response to a letter which I received. However, I can inform the Deputy that the confusion has now been completely dispelled and we are back on track with the process of selecting members of the new commission, with advertisements to invite applications expected to appear in the next week or two.

Regarding the letter from the Deputy High Commissioner and the paper that accompanied it, my Department provided a very comprehensive paper in response to the points raised and I can also inform the Deputy that a group of officials, led by the Secretary General of my Department, met the Deputy High Commissioner and some of her officials on 8 October in Geneva. This was a very positive meeting. The Office of the High Commissioner for Human Rights considers that we have engaged in a good process in the development of the new commission and has full confidence that the Irish Government is approaching the issue in the right way. The OHCHR hopes that it can continue to use our approach as a best-practice model for other member states. In reply to questions as to whether there were any matters in the Department's paper responding to the OHCHR's observations that struck them as being problematic in the context of the future re-accreditation process or if there were any remaining issues they would have concerns about, the OHCHR said there were none. That answer could not be clearer. Far from potentially causing confusion or inadvertently limiting the powers of the commission, the approach in the heads of the Bill, of having two definitions of human rights, which led to some very uninformed comment, is an approach which the OHCHR says it now regards as a best-practice model and one that other states should be encouraged to adopt.

I thank the Deputy for giving me the opportunity to address this issue because there have been some extraordinarily inaccurate reports published in a number of outlets, and in one obsessively, about this process. We will have an enhanced, independent human rights commission in place, dealing with human rights and equality issues, following a best-practice approach with an appointments system that is superior to that which previously applied to the human rights commission and with a direct relationship between that commission and the Joint Committee on Justice, Defence and Equality, something that does not exist under the current legislation and which did not apply to the outgoing commission.

**Deputy Pádraig Mac Lochlainn:** I thank the Minister for his comprehensive response, particularly his assurances regarding the OHCHR. The fact that the UN is now content with the process is critical for public confidence. There was some confusion around the process, as the Minister said.

When does the Minister expect that the process of the panel recommending the new commission and the new commission being appointed will be completed? What is the timeframe for that? Will the Minister accept the recommendations of the selection panel? The understanding is that the Government will accept the recommendations of the panel for the members of the new commission.

**Deputy Alan Shatter:** I was personally disappointed that the panel did not commence its work earlier. It was appointed in mid-July. I welcomed that the individuals who we requested to sit on the selection panel agreed to do so. I appreciate that it was a great burden for them and I was grateful to them for taking up the position. Unfortunately, instead of commencing their work and advertising in September as I originally hoped and expected, they raised some issues as a result I think of misinformation that was made available to them and they postponed proceeding with the work we had asked them to undertake. I met with those individuals in September. We cleared the air entirely of any misunderstandings that had arisen. It was important

that they were also given an opportunity to meet members of the Committee on Justice, Defence and Equality so that committee would be fully assured through a public and transparent process that the individuals are appropriately qualified and independent. I originally thought the advertisement might be in the newspapers and other media this week but I understand they will be advertising next week. A period of time will be provided for those who are eligible to apply and the panel will ultimately make recommendations to the Government regarding the individuals who are to be appointed.

Under the process for these panels in the past there was no particular assurances from the Government regarding who would be appointed and previous Governments appointed some but not all of those recommended to them. I hope I am accurate in that. I do not want to mislead the House in any way. We have given a commitment that we will appoint those who are recommended unless some unexpected and exceptional circumstance arises. Should that apply to some individual reasons will be given to the panel as to why a certain individual should not be appointed. I envisage in circumstances where the panel might recommend individuals in good faith that some information could emerge before the Government formally made its appointment which indicated for some reason which the panel was unaware of that an individual was unsuitable. It is very unlikely that such an issue would arise because we are anxious that the process is seen to be completely independent. Should it arise, reasons will be given and the panel will be asked to nominate an alternative individual. I am not anticipating that we will get into that difficulty.

I hope we will have the appointments to the new commission before Christmas. We cannot formally establish the new commission without the legislation. The intention is that the same individuals will be appointed under existing legislation to the Human Rights Commission and the Equality Authority and that they will work together in moving to the creation of the single body because the new legislation will not be enacted until next year.

### **Student Visas**

8. **Deputy Jonathan O'Brien** asked the Minister for Justice and Equality the progress that has been made in achieving the goal, as set out in the Programme for Government, to overhaul the student visa system; and if he will make a statement on the matter. [43109/12]

25. **Deputy Seán Crowe** asked the Minister for Justice and Equality if his attention has been drawn to difficulties or delays in job applicants and students receiving visas to come to work or study here; and if he has any new proposals to address these difficulties. [44826/12]

**(Deputy Alan Shatter):** I propose to take Questions Nos. 8 and 25 together.

In line with the objectives of the programme for Government, my Department has been working on implementing the recommendations set out in the new immigration regime for full-time non-European Economic Area students which has been in operation since 1 January 2011. Before outlining the steps which have been taken to implement the new student regime, I advise the House that approximately 30,300 non-EEA students are registered with the Garda National Immigration Bureau, GNIB. Statistics from the GNIB provide a snapshot of registrations. Of course, the majority of non-Irish students currently pursuing studies in Ireland are from EU countries.

I can report to the House that the Government has made significant progress on the reform of the student migration system within the framework of the new immigration regime. To date the following initiatives have been implemented. The regime distinguishes between degree programmes and language and non-degree programme courses and provides for appropriate time limits for each programme. The recommended maximum time limit of seven years residence in Ireland as a student has been implemented. Short-term English language students - those staying for a maximum period of up to 90 days - are now regarded as educational tourists for visa purposes and are therefore not subject to the student residency requirements. An enhanced post study pathway for graduates has been available to non-EEA students since October 2010, with honours degree graduates now able to avail of a 12 month graduate scheme permission. Fast tracking of Irish accredited degree programme visa applications has been rolled out in visa offices. A pilot visa scheme developed by INIS and Marketing English in Ireland, MEI, the representative body for English language schools, has been rolled out in the Turkish market to attract students from Turkey. A pilot visa scheme with regard to Chinese English language students is being developed with MEI with a view to maximising the potential of the Chinese student market, which we regard as substantial. A trusted agent programme has been launched in India in conjunction with Enterprise Ireland, whereby reputable agents in India who work with the Irish higher education sector would have their cases prioritised in the visa system. A new pilot scheme for verification of the finances the student needs to support him or herself in Ireland is currently being piloted in the key markets of India and China.

Visa Statistics for 2011 and the first three quarters of 2012 are available on the web pages of the Irish Naturalisation and Immigration Service. A comparison of the two years illustrates the success of the Government's ongoing initiatives in regard to international education. In the first nine months of the present year, 5,881 student visas were granted and 619 were refused, which represents an overall approval rate of 90% for student visa applications. During the 12 months of 2011, 4741 student visas were granted and 671 refused, representing a 87.6% approval rate for student visas. The number of visas granted in the first three quarters of this year already exceeds the number granted for the whole of 2011 by 24%. Adjusting for the fact that junior English language students from Russia were treated as visitors rather than students during 2011, a policy that was changed for this year, the figures show that the number of visas granted to students in the first three quarters of 2012 still exceeds the 12 month 2011 figure by 12.5%. The individual approval rates in the first three quarters of 2012 for key markets are also very encouraging. The approval rate for China stands at 93%, for India it is 85% and Russia it is 98%. My officials inform me that these approval rates represent a slight increase on the rates for the applicable period in 2011.

*Additional information not given on the floor of the House.*

In relation to the processing of visa applications for the purpose of study or taking up employment, while some issues may arise in specific cases I am not aware of any systemic difficulties or delays at present in such processing. With regard to the latter category the applicant will have obtained, in the first instance, a work permit from the Department of Jobs, Enterprise and Innovation and in these circumstances the visa process is usually a routine matter. On study visas, I am informed by officials in the visa section of the Irish Naturalisation and Immigration Service of my Department that there are no undue delays in the processing of such visas.

**Deputy Pádraig Mac Lochlainn:** The number of visa allocations has significantly increased on the 26,000 issued in 2010, which brought revenue of €900 million to the economy. The importance of overseas students to our universities cannot be overstated. My colleague,

Deputy Jonathan O'Brien, who is our spokesperson on education, tabled Question No. 8. I urge the Minister to continue co-operating with the Department of Education and Skills in this area. I understand that he is also working with the Ministers for Jobs, Enterprise and Innovation and Foreign Affairs and Trade on allocating visas that can benefit trade. I ask the Minister, Deputy Shatter, to ensure his Department has sufficient resources to process these visas.

**Deputy Alan Shatter:** My Department is focused on increasing the numbers of students coming to this State for educational purposes. There are enormous benefits for the State in increasing the number, including from the impact on future economic relationships between Ireland and the various countries from which students come. The Government is taking a comprehensive approach to the student migration regime. The new immigration regime for full-time non-EEA students forms part of a comprehensive overhaul of the international education system in Ireland and my Department and the Department of Education and Skills are working closely together in this regard. My colleague, the Minister for Education and Skills, Deputy Quinn, has implemented a comprehensive reform process in the education sector, including the establishment of a new qualifications and quality agency. He also plans to establish a quality mark for English language schools and further and higher education colleges as part of efforts to get more international students to study here. I strongly support this initiative as it should make it much harder for disreputable providers to function and will act as a significant marketing tool to attract students to this country.

In addition, the Department of Education and Skills established a new high level group charged with the development of the strategy for building Ireland's international education sector. This group, under the chairmanship of the Department of Education and Skills, brings together the key Departments and agencies involved and includes a representative of my Department. We regard this area as one of substantial growth for the coming years. In the work we are doing in my Department, we are looking at the various possibilities with regard to ensuring we have a proper system in place which does not create unnecessary obstacles for those who wish to come here to study.

**Deputy Niall Collins:** I agree with the Minister's comments on the economic impact inward migration of students can have for our economy. The spin-off that can create in the wider economy is immense. Unfortunately, we are playing second fiddle to the United Kingdom in terms of tapping into the potential of that unrealised market and anything we can do should be done post haste.

With regard to a separate but linked issue, we are having a discussion around the criminalisation of the purchase of sex and the area of prostitution and are engaged in the consultation under way currently. We know there is factual evidence that many of those people who are trafficked into this country for the purpose of prostitution or sex work travel here on visas for educational purposes. The Minister may not have the figures to hand on this, but has he any handle on the number of people the authorities have come across in prostitution who have educational type visas?

**Deputy Alan Shatter:** There is a long stretch between dealing with reform of the laws relating to prostitution and visas for students. As the Deputy knows, we are engaged in a consultative process on the report we published last June. We passed the report on to the Joint Oireachtas Committee on Justice, Defence and Equality and it is engaged on that. I understand it either has held or will hold hearings on that report and that submissions have been sought.

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On the issue of trafficking, I do not have statistics to hand with regard to individuals trafficked to Ireland for the purpose of prostitution who have come here on a student visa. Some of those who are alleged to have been trafficked to Ireland have denied to gardaí, when they have become engaged in the matter, that they have been trafficked to Ireland and have asserted they are here independently engaging in the form of work the Deputy described. Of course, some of the individuals who make that assertion do so out of fear, because of the individuals hidden in the background. We are very conscious of that.

Some of those who come here and engage in that activity come from outside the European Economic Area, but not all and some of those who arrive in this State and engage in prostitution are independent contractors who are not trafficked at all. There seems to be a tendency for a certain number of people to arrive on weekends of rugby internationals and then fly out when the internationals are over. This is a complex area, but I do not wish to minimise the level of concern about it. However, I am not sure we will ever have accurate statistics which indicate individuals who come here on student visas who engage in prostitution or which will indicate those on similar visas who have been trafficked here under pressure as opposed to travelling here voluntarily.

Nevertheless, as the Deputy knows, we are very serious about reviewing our laws on prostitution. I anticipate and look forward to the response of the Joint Oireachtas Committee on Justice, Defence and Equality. We had a very full and interesting one-day seminar two Saturdays ago at which there was full participation from those in the audience and at which some very interesting papers were delivered on the issue. The Deputy was unable to be there, but I urge him to read some of the papers presented.

**Deputy Niall Collins:** We were represented there.

**Deputy Alan Shatter:** They represent different perspectives and views on the best way forward legislatively. I value the feedback we will get as to the manner in which we should address this area.

*Written Answers follow Adjournment.*

## Topical Issue Debate

### Student Grant Scheme Applications

**Deputy John O'Mahony:** I thank the Ceann Comhairle for selecting this matter and for allowing me raise it. August and September are life-changing months for second level students who are moving on to third level. They get their leaving certificate results in August and get their college offers later that month or in early September. They then have to go and look for accommodation and people with whom to share it. It is a traumatic time not just for the students, but for their parents. The big issue for them at this time is the application for a grant. This has been a major issue over the years. As elected representatives, we all know there have been dif-

faculties over the year, from the time there were 66 different bodies awarding grants. The good point with regard to so many bodies being involved was that the issue was local and personal.

I welcome and support the many innovative ideas the Minister for Education and Skills has introduced since he took up his position and am not raising this issue to knock him or anything else. The SUSI concept and the centralisation of the awarding of grants is good if it works smoothly. I welcomed it when announced and still have no problem with it. However, the concern I had and still have is that there may be issues such as those we had when the medical card application system was centralised. In other words, I am concerned about the bottlenecks that occur in the system, the way the process becomes impersonal, documents being lost and the resulting delays in dealing with applications. The Minister facilitated a briefing from SUSI earlier in the year and in its presentation the system looked wonderful and it seemed every angle was covered.

I raise this issue to be helpful rather than to knock the system, because there are teething problems. This year I have received more queries in September and October on the issue of grants than in the past number of years. These concern the delay in processing grant applications and in hearing appeals. I welcome the e-mail service provided for public representatives by SUSI. However, the problem is that the answers returned, which are delivered promptly, do not provide any information whatsoever. If they do not give us information, they do not give students information. If the system was working well, we would not be getting people raising this issue in our offices or at our clinics, but it is not working well.

Let me give an example of the response I received last week, which is what prompted me to raise this issue. The response stated: "Documents have been received in support of this application and they are currently awaiting review." This is just a one-line answer that gives no indication whether the application will be considered in the next two or three weeks or whenever. I want to justify what I am doing by saying I received two answers this morning, within eight minutes of each other, after this was submitted. The first of them gave me an answer and the second gave me an advanced answer. Maybe the fact that I raised it helped me in some way to get those answers. I acknowledge that. Ideally, it would be better if applications were made sooner. I know of a student who was not offered a college place until the middle of September. In other words, he got it on the third award. It is impossible to submit one's application early if one does not have a college place. What is the view at a more global level of the experience to date? Will new things be put in place next year? Could a tracking system like that used in the passport service be used to allow students to track their applications without clogging up the system with queries to which they should be able to get easy answers?

**Minister of State at the Department of the Environment, Community and Local Government(Deputy Jan O'Sullivan):** I thank Deputy O'Mahony for raising this issue. I am taking this Topical Issue on behalf of my colleague, the Minister, Deputy Quinn. As the Deputy said, the processing of student grants for new entrants has been centralised this year under one body - Student Universal Support Ireland, or SUSI, which was established as a unit of the City of Dublin VEC. This will replace the 66 grant-awarding bodies which were previously responsible for student grants. Local authorities and VECs are continuing to deal with renewal students until they complete their existing courses. Some 65,000 applications have been received by SUSI this year, of which approximately 35,000 are expected to succeed. SUSI is aiming to award all successful applicants before the end of December. The Deputy will recall that in the past, many students did not receive payments until much later in the academic year.

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Some 65,000 applications were received this year. Approximately 5,000 late applications are awaiting initial assessment. Almost 10,000 applications have been refused, or have been cancelled by the applicants. In over 16,000 cases, no response has been received from the students to requests for supporting documentation. Text reminders have been sent to these applicants in a further effort to get the documentation submitted. Almost 20,000 sets of documents are awaiting validation. It should be noted that in 17,500 of these cases, incorrect or incomplete documentation has been submitted at least once. These documents are awaiting validation for at least the second time. The remaining applications have been assessed by SUSI. More than 4,000 have been awarded, more than 2,000 have been provisionally awarded pending submission of course acceptance forms, approximately 4,500 are being reviewed by SUSI and a further 4,000 have had additional information requested from the students involved.

It is inevitable that a late rush of applications will cause some delays in a student grant processing system. The Department is continuing to monitor the situation actively in close consultation with SUSI, which is working with the Union of Students in Ireland to encourage students to submit outstanding documentation. SUSI is constantly seeking to improve the information available online and from its helpdesk, e-mail and telephone services. SUSI has received 1,019 appeals to date. While SUSI aims to issue determinations as promptly as possible and within the specified 30-day timeframe, I am aware that a number of appeals on hand were received more than 30 days ago. The Department has been assured by SUSI that these cases are being given priority and will be dealt with in the next five days.

The main aim of putting in place a single agency was to improve substantially the grant application experience for new applicants each year. It was inevitable that there would be process challenges in its first year of operation, particularly when the new system was delivered in an extraordinarily short timeframe. In these circumstances, it is particularly important for the system to respond in a prompt and effective manner to any challenges that arise. I assure the Deputy that the Department is continuing to monitor progress closely and is actively engaged with SUSI to ensure every possible action is being taken to expedite decisions on all outstanding cases. The Minister, Deputy Quinn, contacted the CEO of City of Dublin VEC in relation to this matter this week. The CEO assured him that any delays arising in the operation of the new system are being addressed by SUSI as a matter of priority. The utmost importance is being placed on communicating with applicants to ensure all outstanding documentation is submitted so that decisions can issue to students and any appeals arising can be dealt with expeditiously.

**Deputy John O'Mahony:** I thank the Minister of State for her reply. I asked whether something could be done differently. I accept in good faith the efforts that are being made to fine-tune this system. One of the letters I received referred to "the company" that is validating the documents that are submitted. Can the Minister of State let me know whether some of the processing of grant applications, or of appeals relating to grant applications, has been outsourced to an outside body? Given that almost 20,000 applications have been accompanied by incorrect information-----

**Deputy Jan O'Sullivan:** The correct figure is 17,500.

**Deputy John O'Mahony:** -----can something be done to educate people on how to make applications? It might help to ensure SUSI does not receive applications that are half-completed or do not include the full documentation. If almost 20,000 applications are incomplete, something is wrong. I understand that appeals should take no more than 27 days. Anecdotally, I have heard about a few dozen appeals that have taken between 30 and 40 days. If there was no

issue in this regard, I would not be raising this matter. I acknowledge the efforts that are being made to fine-tune the process and ensure it will be a good system. I hope that the bottlenecks in August and September of this year will not be repeated in the future and that this problem will be solved.

**Deputy Jan O'Sullivan:** As it is a totally new system, it is understandable that there have been some difficulties. I know SUSI is trying to deal with them as expeditiously as possible. I accept that the number of incorrect application forms - 17,500 - seems to be quite large. It is surprising that so many people failed to give all the information or fill the forms in correctly. I understand the Union of Students in Ireland is working with students to encourage them to supply all the documentation. A helpdesk and an inquiry line are available to assist students who might be having difficulty understanding what they need to submit. I am not aware that responsibility for the validation stage has been passed to an outside body. I can get that information for the Deputy. He suggested that a tracking system similar to that used for passport applications should be used. I can pass that suggestion on to the Minister. The move from 66 bodies to a single body for these purposes is a big undertaking. Like other Deputies, I know from my experience that there were delays in the old system when one had to deal with one's local council or VEC. It is a big undertaking. Every effort is being made. SUSI has acknowledged that some appeals have gone beyond 30 days even though that should not happen. I made that point in my opening statement as well. SUSI is doing everything it can to bring it down to a minimum. We all understand it is difficult for students and families to await the making of a decision or the payment of a grant. Every effort is being made to limit the waiting times.

### **Social and Affordable Housing Eligibility**

**Deputy Martin Heydon:** I am thankful for the opportunity to raise this issue in the House. I am glad the Minister of State is present to respond to what I have to say. I have become increasingly aware of this difficulty in the last 18 months, since I was elected to the Dáil. It has been raised with me by individuals in my local area on many occasions. If that experience is replicated throughout the country, it is a big problem that needs to be addressed. As the Minister of State is aware, if one is to qualify for local authority housing and get one's name onto the local authority housing list, one must be deemed to have a housing need. If one is to qualify for the payment of rent supplement, one needs to be on the housing list or be able to prove one has been living in private rented accommodation for six of the past 12 months. If one's name is already listed on the deeds of another house, one will not qualify for inclusion on a local authority housing list. Although this condition generally makes absolute sense, we need to consider the circumstances of couples that have recently separated. That is the point I am raising. The impact of separation on a family unit is huge.

*4 o'clock*

It is big enough, given the trauma involved for both partners and the children when they reach the stage where they realise they need to go their separate ways, for whatever reason. The lack of a place to live is extremely stressful and an added difficulty.

The recently published census results for 2011 record the number of separated persons at 116,194, up marginally from the corresponding figure for 2006. Unfortunately, a number of separated persons, some with children, whom I have met are not finding it possible to source housing owing to their names remaining on the deeds of a home in which they can no longer

live because their ex-partner is living there. One of the cases of which I am aware involves an individual who bought a property with his then wife. He has recently separated from her and she has remained living in the family home with their children. He had some underlying health issues and depression was a problem. He has done his best by his family by moving out and trying to deal with his own specific circumstances. The couple have separated amicably, but he has no options and nowhere to go. He is sleeping on the couch of an extended family member. This is because his name is attached to the deeds of the property and he is deemed not to have a housing need.

Another factor impacting on this problem is the length of time taken by financial institutions to reach solutions on non-performing loans. I am aware of one case in which a house is due to be repossessed by a bank. The couple have separated. The husband remains in the home, while his wife and their two children are searching for accommodation without success. They are, therefore, literally homeless. Once the bank completes the repossession, both parties will become eligible for housing, but this could take months. In the meantime, the wife and children have nowhere to live. They have approached the community welfare officer for help, but they can only receive an emergency needs payment, a once-off payment which cannot be used as a basis for securing access to any property.

I have spoken to staff in my local authority, Kildare County Council, about some of these cases and, while they are hugely sympathetic, they consider their hands are tied and they have to operate within the rules, rules which do not appear to offer significant discretion for persons who find themselves in the very difficult situations to which I have referred. Often, those most affected are newly separated who have had to move out of the family home, perhaps at short notice or after a lengthy period of difficulty in a relationship. The decision to leave the family home is not an easy one, but sometimes it can be in the best interests of the partner and the children.

I am aware that, once a separation process has been gone through in the courts and forms of legal separation have been agreed, there can be more discretion under the housing system. However, this is of no help in the cases with which I am dealing in which those involved have not yet reached this stage of the process and find themselves with no housing options. I ask the Minister of State to review the regulations in place to see if discretion can be applied in the cases of individuals who find themselves in these very difficult situations. It should be possible to either free up staff in the local authorities to have more directions in these cases in the short term, or else consider integration with the Department of Social Protection in order that community welfare officers will have discretion to deal with these cases as they arise. It is a very big issue and I am glad the Minister of State is here to deal with the topic.

**Deputy Jan O'Sullivan:** I thank the Deputy for raising this important issue and allowing me to outline the current position. I would like him to know I have commenced a review; therefore, we recognise there is an issue.

The Government's housing policy statement, published in June 2011, serves as a framework for a sequence of legislative and policy initiatives in the short to medium term. Based on a number of fundamental principles and goals that form the foundation of a substantial reform programme, the framework for housing policy responds to current and emerging conditions in the housing sector, taking into account the current economic environment. Central to this approach is maximising delivery of social housing support to those with greatest need within the resources available. In terms of the delivery of social housing, the policy statement clearly

identifies that the main focus in terms of supports provided by the Government will be on meeting the most acute needs, namely, the housing support needs of those unable to provide for their accommodation from their own resources.

One of the greatest concerns the Government had was the disparity of procedures across the various housing authorities in accessing social housing support. The 2011 social housing assessment regulations were introduced to provide for a new standard procedure for assessing applicants for social housing in every housing authority. The ultimate aim of the new system is to create a fairer, more consistent and transparent approach to eligibility for social housing support. The regulations providing the legislative basis for the assessment are continually under review in an effort to ensure they achieve that aim.

Regulation 22 of the 2011 regulations addresses the issue of alternative accommodation, with regulation 23 addressing the housing need criteria. It is a matter for each housing authority to assess the need of each applicant household within the terms of the regulations to determine eligibility for social housing support. Paragraph (1) of regulation 22 of the social housing assessment regulations of 2011 provides that a household with alternative accommodation that would meet its housing need is ineligible for social housing support. Paragraph (2) of the regulation effectively ensures paragraph (1) does not operate to exclude from eligibility for social housing support an applicant who owns accommodation occupied by his or her spouse from whom he or she is separated or divorced. The regulation is worded in such a way that once there is a deed of separation in place, this aspect of eligibility for social housing support can be determined. There is no need, therefore, to await judicial separation or divorce to get a decision on eligibility for social housing support in these cases. I consider that this provision is reasonable in most cases. However, I acknowledge the Deputy's point that exceptional cases arise that may not easily be dealt with under the current regulations. As part of the programme of social housing reform which I am advancing, I am reviewing the implementation of the 2011 regulations to ensure they are operating as intended. I will issue revised regulations and guidance, as necessary. As part of the review, my Department will consider what wider discretion might be given to housing authorities to address the difficult and complex cases which may present to them. As I said, I recognise that there is an issue in the case of newly separated persons.

**Deputy Martin Heydon:** I thank the Minister of State for her detailed response and very much welcome the commencement of the review to which she refers, which makes this Topical Issue debate timely. She stated, "It is a matter for each housing authority to assess the need of each applicant household within the terms of the regulations," and then sets out the position under paragraphs (1) and (2) of regulation 22. The difficulty arises where a couple are not legally separated or divorced. A deed of separation is an agreement between two parties setting out the terms of the separation, often negotiated through a solicitor. It can be legally binding and includes items such as custody of children, maintenance obligations, ownership of the family home and liability for mortgage payments. However, these issues are not sorted out immediately, whereas the timeframe to which I am referring is the period immediately after the separation when the couple have gone their separate ways and before the deed of separation is prepared. The current regulations do not properly take account of this short period and we need some discretion to allow either the local authority, the community welfare officer or some other party to provide short-term support for those persons who find themselves in this situation.

I am glad the Minister of State referred to current economic conditions, on which I wish to pick up. In some circumstances, couples may have their deed of separation, but, owing to the depressed state of the property market, they cannot sell their property, even though it is on

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the market. While I hope this will not be a long-term problem, it is a problem for now. Again, flexibility in this regard is needed to get people through this very difficult period. I again thank the Minister of State.

**Deputy Jan O’Sullivan:** All of us in the Chamber probably know of some of these complex cases. There is a certain amount of discretion under the current regulations and one of the issues I am considering in reviewing the regulations is the position of couples who are separating and genuinely have a housing need that must be addressed. While I do not know exactly how long this will take, I will be doing it as expeditiously as possible.

### **Hospital Services**

**Deputy Derek Nolan:** I welcome the opportunity to speak about this very important issue. Before I address it, I commend the Minister for Health for the work he has done with regard to the Galway-Roscommon hospital group which is making significant strides in tackling some long outstanding performance issues. The new management team is achieving great results in reducing inpatient waiting lists and times, the emergency department count and trolley figures. It is a tribute to the chief executive officer, Mr. Bill Maher, and the chief operations officer, Mr. Tony Canavan, but also to the co-operation of staff, nurses and doctors who are putting their shoulders to the wheel in delivering improvements, achieving efficiencies and finding new ways of working. They all deserve recognition and credit for their hard work and commitment. However, while we have seen positive results in some areas of the health service in Galway, it is a harsh reality that waiting times in other areas remain unacceptable. I refer specifically to the urgent need to address the waiting times for the pain clinics in University Hospital Galway and Merlin Park University Hospital. The waiting times in both are totally unacceptable and are causing extreme distress and discomfort to many people who are in dire need of medical attention. I commend the staff who work in the pain clinics in the health service for the helpful and co-operative fashion in which they have dealt with queries from my office. According to statistics I received yesterday, there are now 583 people waiting for an appointment, with the longest wait time being since August 2010.

I have met with many people in Galway who have turned to me for help, completely exasperated with the delays in attending the pain clinics. One constituent who came to me for help and to highlight his plight was a gentleman who was diagnosed with fibromyalgia and who suffers pain in all 18 tender points in his body. His condition has deteriorated in recent years but this year has been his worst to date. Almost every week there are at least three nights where he literally does not sleep and cannot even face going to bed because the pain is so bad. He used to have a photographic memory and was a successful computer programmer. He now suffers from chronic muscle pain in his joints and nerves and regularly experiences memory loss. This man has been waiting since the start of the year to get an appointment at the pain clinic in University Hospital Galway. He was added to the waiting list on the 3 January 2012. Today is the 24 October, almost ten months down the line and he is still waiting. He is still suffering tremendous pain, and he is still fighting to maintain a decent quality of life. Since January he has had one pain free day - one day in ten months that he did not have chronic pain in his joints and nerves.

Other cases have been presented to me of patients with chronic back pain. Another constituent with severe multiple sclerosis was forced to wait months for an injection that would restore mobility, the ability to work from home and dignity to her life. She was once able to receive the

injections she so badly needs every eight weeks but now the service has been scaled back. In the meantime she is confined to bed, dependent on her family and unable to function properly.

I am aware of the challenges that face the Department of Health and the Ministers in the Department. The HSE has always suffered administratively and I believe the promised reforms will tackle some of the problems. However, the waiting times for the pain clinic at Galway University Hospital had gone way beyond what is acceptable for a health service. People who are in chronic pain are waiting for an appointment to give them some slight relief from medical conditions which have dominated their lives. I ask the Minister of State to ask the Minister for Health to make a commitment to tackle the problem. It is extremely unfair to expect people who are living with debilitating pain to wait an intolerable length of time to get the treatment and relief they deserve.

**Deputy Jan O'Sullivan:** I thank Deputy Nolan for raising the issue to which I will respond on behalf of my colleague, the Minister for Health, Deputy James Reilly.

University Hospital Galway has two consultants who provide a pain management clinic in the hospital. These are consultants who specialise in anaesthesia, 50% of whose time is allocated specifically to pain management. Two pain clinic sessions take place each week. In addition, the pain clinic has weekly theatre access for interventional and non-interventional procedures. To support this service, the hospital has provided a resource of three clinical nurse specialists whose time is divided between acute and chronic pain management for both inpatients and those attending the clinics on an outpatient basis. All pain clinic patients can contact the nurses by phone or bleep.

Escalation protocols are also in place to address changes in patient symptoms. If patients are on the outpatient waiting list and their symptoms worsen they can contact their GP who can liaise with the consultants directly. If patients with chronic pain have an acute exacerbation of their symptoms they can attend the emergency department. If existing patients are experiencing any difficulties or worsening symptoms they can contact directly the clinical nurse specialists for pain relief. Patients who have received interventional pain treatment and require a repeat procedure are returned to the waiting list and are prioritised if cancellations occur.

It is regrettable that a small number of patients have encountered delays in receiving appointments for the pain clinic. However, in line with the strict policies introduced by the Department of Health, patients are added to the pain clinic waiting list according to their referral date, and patients are taken off the list according to clinical priority and referral date. Since assuming office, the Minister, Deputy Reilly, has made it clear that priority must be given to taking care of those patients waiting the longest. Once the most urgent cases are treated, hospitals must devote their capacity to treating the longest waiters in a strict chronological order, which is the fairest approach. Progress on waiting lists shows that even with reduced budgets and staffing levels, clear, well informed targets assist hospitals to be effective.

Within the past week there has been a reduction in the overall waiting lists across the country of 16%; in University Hospital Galway itself, access for procedures has improved by 40% since 2011; most notably, considering the difficulties it was encountering in December last year, the hospital achieved the nine month primary targeting list for inpatient waiting lists on 30 September 2012. On behalf of the Minister I thank all the staff involved and acknowledge their dedication and commitment to those significant achievements.

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**Deputy Derek Nolan:** I reiterate my compliments to the staff working in the hospital on the dramatic improvement in many of its services. I regret that the Minister of State, Deputy Jan O’Sullivan, must respond to the issue and that the Minister for Health could not be present to respond because what I raise is extremely important. People to whom I have spoken have rung the pain clinic on a weekly basis. Their doctors have written to the pain clinic asking for speedier referrals and treatment to no avail. I contend that some of the information provided by the Department of Health in the response is slightly inaccurate. It is not something many of those I have met experience. While I appreciate the sentiment of the response, that alone will not solve the problem. The problem is clear. There are two consultants and we need more. There are three clinical nurses and we need more. The reality is that those on the waiting list for the pain clinic in Galway are in pain. They are not waiting for a diagnosis; they are in pain and are seeking treatment for the pain. Each additional week they wait is an extra week in pain. Each additional month they wait is another month in pain. In some circumstances those who are waiting are immobile while others are in agony.

I am not happy with the answer I received. I appreciate that the issue does not relate to the Minister of State’s brief. I urge her to speak to the Minister for Health, Deputy Reilly, explain the details of the cases I have raised, in particular the case to which I referred in my initial statement, and ask him to put a specific plan in place, perhaps via a special delivery unit or by agreement with hospital management in the Galway University Hospitals, to deal with the severe delays and frustrations experienced by patients in pain while they wait for pain clinic appointments. In many cases they suffer so much that their lives are debilitated.

**Deputy Jan O’Sullivan:** Deputy Nolan clearly outlined the difficult position of such patients. I will convey his concerns directly to the Minister, Deputy Reilly. We all want the quickest possible responses to patients in pain or who need care in other ways. The Deputy acknowledged the progress that has been made in various areas. I will convey the issues raised to the Minister and the suggestions Deputy Nolan has made on how to address it, including the special delivery unit. I apologise for not being able to provide a more precise answer as I am not in the Department concerned.

### **Health Insurance Cost**

**Deputy Billy Kelleher:** I wish to outline the alarming increase in the cost of private health insurance. Many people speak about “middle Ireland” and how hard-pressed it is. An illustration of how serious the situation is for many families is that people are now deciding whether they should fill the oil tank or continue with health cover. We have seen an alarming increase in the cost of premium payments for private health insurance. The cost of VHI cover for a family with two children has increased to €2,300 per year. There has been an alarming increase in recent years. Since 2009, health premia have increased by a minimum of 100% and, in some cases, by as much as 130%. Year on year there have been exceptional increases.

We have to address this issue. These people are lightening the State’s burden in the provision of health care. They have contributed through the general Exchequer in taxation and through sacrifice and effort have taken out private health insurance to provide cover for themselves and their families. They are being crucified. If we allow this to continue, the advances the Government is trying to make in regard to universal health insurance will unravel before the Minister’s eyes. People simply cannot afford to continue to pay these alarming increases.

Consultants' pay is one issue on which the Government has been faffing about for a long time. There is also the issue of charging private patients for public beds, which has placed and will continue to place a burden on premium holders throughout the country. The €125 million the insurers decided to give upfront in order to dig the Minister for Health out of a hole in regard to his budget deficit is now coming back to haunt us. It is not the health insurers who are paying upfront; rather, it is premium holders throughout the country. That is not good enough.

**Deputy Mattie McGrath:** I thank the Ceann Comhairle for giving me the opportunity, along with Deputy Kelleher, to raise this issue. Deputy Kelleher has made a pristine case. The last speaker, a Government colleague of the Minister of State, was critical of the answers given to the House by the HSE and the Department of Health. That much was stated clearly on the record of the House. We do not get proper answers or proper governance from the Department of Health. The Minister, Deputy Reilly, should be present today to take these questions and should not send in a Minister of State who does not have responsibility for the matter. I welcome the Minister of State's presence, however, and I wish her well in her post.

This is out of control. I cannot believe the increase in charges, which have gone up by 120% to 130% in the past three years. Increases of 100% have been imposed by the VHI and other organisations. I note that there will be people attending the Joint Committee on Health and Children tomorrow to give answers, but what answers can they give us? It is pure sabotage and hijacking. The Minister has no credibility on this issue because he is one of those who negotiated rates for GPs. He cannot play two sides of the road, although he tries to do so all the time. What will happen is that people will die on the road. More than 2 million people have some kind of cover but this gives them less and less for more and more money. They cannot afford it. Ordinary middle-income families and even the reasonably well-paid cannot afford the cover. This puts pressure on public hospitals, with consequent queues and waiting lists, as was discussed in the previous topic in the debate.

We must change this. We cannot allow the companies to charge these exorbitant rates. I once stayed in a private hospital in Cork and had to travel about 600 yards in an ambulance. Deputy Kelleher would know the place well. I could have walked there but not back, as I was under anaesthetic. The ambulance charge was €600 to bring me less than half a mile - a rip-off. Rip-off Ireland is alive and well and this situation cannot continue. Ordinary people cannot get access to beds or anything else while this rip-off is going on. Consultants are getting too much pay and are using public beds and public equipment to treat their patients privately. The racket has to end. I thought the Minister would do something about this, but I reiterate that he has no credibility with regard to one of the groups concerned. He is not the man to do it. I hope some of his other colleagues will step up to the plate.

**Deputy Jan O'Sullivan:** I am taking this matter on behalf of my colleague, the Minister for Health, Deputy James Reilly, who unfortunately cannot attend. This issue was around for years during the time of the previous Government and very little was done about it.

There has been recent speculation regarding possible increases in private health insurance premiums. As the Deputies are aware, the Minister for Health has no role to play in the commercial decisions of any health insurer with regard to planned increases in the costs of its insurance products. I am aware that health insurance is becoming harder to afford, particularly for older people, as insurers increasingly tailor their insurance plans towards younger and healthier customers. The Government is strongly committed to protecting community rating, whereby older and less healthy customers pay the same amount for the same cover as younger and

healthier people.

In January of this year, my colleague the Minister for Health, Deputy Reilly, announced changes which will help to make private health insurance more affordable for older people. Since 1 January 2012 there has been an enhanced age-related income tax credit for each insured person aged 60 years or over. Community rating of health insurance is at the very heart of our system and will remain so under universal health insurance. Risk equalisation protects community rating by spreading the burden of health care costs between the young and the old, the healthy and the less healthy. The Minister is unhappy about the trend towards segmentation in the market and has raised the issue directly with the insurers. He has consistently raised the issue of costs with health insurers and is determined to address costs in the sector in the interests of consumers.

The programme for Government contains a commitment to establish a permanent scheme of risk equalisation. This is a key requirement and is designed to keep health insurance affordable for older persons and to maintain the stability of the market. The Government agreed to the Minister's proposals for an improved risk equalisation scheme and published the Health Insurance (Amendment) Bill 2012 on 18 October. The new Bill will introduce a permanent risk equalisation scheme, RES, effective from 1 January 2013. There are some important differences and improvements compared to the current interim scheme which the RES 2013 replaces. In order to deal with issues of affordability, there will be two levels of cover: advanced cover, to which higher risk equalisation credits and higher stamp duty will apply, for public and private hospital plans; and non-advanced cover, to which lower risk equalisation credits and lower stamp duty will apply, for public-hospital-only plans. In addition, the new RES will allow for a greater number of risk factors, including age, gender and type of cover as well as measures of health status. A risk equalisation credit based on bed usage is proposed as a measure of health status.

In respect of access to public hospitals, as referred to by Deputy McGrath, the work of the special delivery unit, SDU, continues to focus on improving waiting times for access to both scheduled and unscheduled treatments and to maximise the capacity of existing facilities to manage patient flow. Since July 2011, when the SDU was set up, the number of people having to wait more than 12 months for treatment has fallen by 85% and the number having to wait more than nine months has fallen by 91.1%. The overall waiting list has reduced by 16%.

The Government's clear objective is for the health insurance market to remain as competitive and affordable as possible as we move towards a new system of universal health insurance. The Minister, Deputy Reilly, will continue to explore any available measures to limit the costs related to health insurance.

**Deputy Billy Kelleher:** I welcome the reply by the Minister of State, but the difficulty is that people and families throughout the country simply cannot afford to continue to pay the increases. There have been alarming increases in the private health insurance market in recent years. While we welcome competition and the opening up of the market, something must be done to address the issue of spiralling increases in the cost of health care and health insurance in this country, including dealing with consultant hospital contracts. In addition, the decision to charge full costs for private patients in public beds is increasing the cost of health insurance. That is clearly a policy decision. I ask the Minister of State to convey to the Minister the deep concern of many people about the escalating cost of private health cover for families.

**Deputy Mattie McGrath:** I too am very disappointed in the reply. I know the Minister of State was only reading out on behalf of the Minister what she received from the Department. The Government is supposed to have agreed to the Minister's proposals for an improved risk equalisation scheme, but we are not getting this. We are being charged more and more for health insurance. I have a large family and our insurance continues to rise. That is my situation and I can hardly continue with it. One goes for a procedure in a hospital and finds there is less and less cover. Pure rip-off Ireland is alive and well.

I accept this did not all happen under the tenure of the present Minister during the past 18 months, but costs have increased three times since he came to power. The insurers must be taken on, called aside and told to stop. We cannot keep crucifying the ordinary people and trying to draw blood from a stone. There is no blood in the stone - people do not have the money. The increases attack the efforts that have been made to cut waiting lists, procedure times and everything else in hospitals. Too much is being taken out in this regard. Consultants are using public facilities and we are being screwed, although I hate to use that word. It is an awful situation and it is untenable.

I look forward to meeting the representatives tomorrow at the committee, but the Government must act. It is in charge and must cry halt to rip-off Ireland.

**Deputy Jan O'Sullivan:** It is certainly not today or yesterday that these increases happened.

**Deputy Mattie McGrath:** I accept that.

**Deputy Jan O'Sullivan:** In spite of the money that was in the country, there was no reform of the health service. The universal system to which the current Government is committed will address inefficiencies and extra costs in the health service and will deliver improvements for patients. A risk equalisation scheme is to be introduced by the Minister under the legislation he has introduced. The scheme in place under the former Government was struck down a long time before that Government fell and no permanent scheme was put in its place. What we are getting now is reform and new legislation. I hope Deputy Billy Kelleher is not suggesting health insurers should not pay what is rightfully owed in the context of the use of private beds in public hospitals. One would expect that they would pay in respect of private patients in public hospitals.

A great deal of reform is taking place under the Minister. That reform will continue and assist in delivering more efficient and effective care for patients and better value for money.

### **Prospects for Irish Economy: Statements (Resumed)**

**The Taoiseach:** Six weeks from today the Minister for Finance will deliver his second budget to Dáil Éireann. He delivered budget 2012 only nine months after the Government had inherited a disastrous situation, with the economy in freefall and riddled with numerous systemic problems. Before we entered office, there was no clear path towards recovery and the leadership to deliver such a recovery was lacking. When we recall the situation with which

the Government was faced at the time, we are reminded of the scale of the challenge involved. Some 250,000 private sector jobs had been lost in the three years before we took office, our international reputation was in shreds, the property market was in freefall, there had been a massive flight of capital out of the country and there was a steady run on the banks. Our output had also been consistently falling and, above all, the people had been left to bear the brunt of the crisis. Emigration had returned and unemployment had been allowed to reach record highs. There was no clearly defined vision for the country, the situation was bleak and the people were bereft of hope. From the outset, the task of the Government has been to regain control over Ireland's fiscal and economic policies, grow the economy again and get people back to work.

Since taking office the Government has been addressing each of these challenges in a systematic fashion. We have taken real and meaningful steps to stem the tide of the downward trends and put Ireland back on a path to growth and recovery. We have focused many of our efforts on restoring international confidence in Ireland. All of the actions agreed under the ED-IMF programme have been met. As a consequence, international markets have recognised Ireland's commitment to doing what is necessary in order to steer the economy back to recovery. Our long-term bond yields are now under 5% and the NTMA has been making a phased return to the bond markets. We have successfully begun the process of restoring balance and order to the national finances. In 2011 the deficit fell to 9% against a target of 10.6%. This year we will reduce that deficit even further.

We have been restoring banking and financial stability and banking deposits are up 10% from a low in July 2011. We witnessed a modest return to GDP growth of 1.4% last year. We have secured an EU commitment to making Ireland's banking debt more sustainable and breaking the link between bank and sovereign debt. This commitment was reaffirmed at the meeting of the European Council last week. We have introduced a comprehensive restructuring and recapitalisation plan for the banking system, in conjunction with reform and restructuring of bank boards and oversight structures. New legislation has been published to tackle white collar crime in order to restore confidence in the financial system.

Each of these measures has been taken to ensure the conditions are right to allow growth to return to the economy and prudent management to be restored. Without this, we cannot move forward to address the most pressing part of the crisis, namely, getting people back to work. In the light of the scale of the crisis and the number of individuals and families affected by it, the Government has made this a top priority. Our priority in this regard must be to create the conditions for employment growth and we have used every opportunity at our disposal to make this happen. We want to make work pay and reward people for an honest day's work. To this end, we have not increased income tax. In this year's budget we took steps to ensure some 330,000 people would not be obliged to pay the universal social charge. In February we launched the Action Plan for Jobs. Unlike plans published in the past, we have made implementation our priority. We have been resolutely pursuing each and every target and action in the plan on a quarterly basis. We also announced a €2.25 billion infrastructure stimulus plan with the aim of creating 13,000 jobs.

We have undertaken the consolidation, reform and policy development to which I refer, while protecting the most vulnerable. We know that a crisis such as that being experienced leaves those who are already vulnerable most exposed and pushes many more into the trap of poverty. Cognisant of this fact, since taking office we have reversed the cut in the minimum wage, published the national carers strategy and the Children First guidelines, allocated funding to community mental health teams and provided additional mortgage interest relief for first-

time buyers who purchased their properties between 2004 and 2008.

With the announcement of the budget for 2013 just six weeks away, we are very aware that a huge amount of work and effort are still required in order to continue to get Ireland working again and the national finances back on a sustainable footing. As a country, Ireland continues to spend far more than it collects in revenue. While the banking crisis has clearly affected some of the forces which impact on the tax take such as confidence, demand and spending, the gap between what we collect and what we spend is an issue with which we simply must deal. It cannot be ignored; it will not go away and cannot be fixed as if by magic. The Government has a plan for dealing with this deficit. We must and will see this plan through and allow the stability and confidence it will engender to act as a platform for future growth in the economy.

Our commitment to reduce the deficit to below 3% of GDP by 2015 remains central. Further current expenditure savings must be found. We must deliver more savings and reforms under the Croke Park agreement. We must ensure the reform of the public service delivers a world-class offering for the people which does not tolerate waste or inefficiency of any kind.

On the international front, we will continue to pursue a successful conclusion to discussions at EU level on an agreement to separate bank debt from sovereign debt. Our work in this regard is ongoing and involves many actors. Results will be delivered in different ways during the coming months. Against this backdrop, we will continue to intensify all of our engagements at EU level. We remain steadfast in our efforts to ensure the euro will be protected. We will prioritise the pursuit of a banking union and engage in robust discussions on an EU fiscal-political union.

During our Presidency of the European Union in 2013, one of our key messages will be to push for more EU growth measures. As a small, open, export-oriented economy, it is in our national interest that Europe should continue to develop the Single Market and promote trade and enterprise among member states and with external economic blocs. In this respect, during our Presidency, the Tánaiste and I will be seeking to advance further trade relations between the European Union and the United States, with other advanced and developing markets. Within the European Union, we need to break down the barriers to trade and introduce new measures to facilitate rapidly growing areas such as the digital market and on-line commerce.

At a domestic level, our focus next year will be on turning the stability we have fought so hard to achieve into jobs. We want to build on the beginnings of recovery in employment that we have seen to date. There has been a 13,000 reduction in the numbers on the live register during the past year and some 17,000 additional jobs have been created in the private sector since we came to office. In recent weeks there have also been a number of significant jobs announcements, a number of which have been made by indigenous Irish companies with a global reach. The numbers to which I refer are small given the scale of the crisis. However, they are moving in the right direction. Conditions in the labour market remain weak and long-term unemployment is a serious concern. Thus, we must continue to push hard to deliver the policies which will facilitate employment growth and job creation.

The new integrated employment and support service, INTREO, announced last week by the Minister for Social Protection, Deputy Joan Burton, will provide individualised supports for jobseekers to assist them in getting back to work and increasing their employability. This will ensure those who have lost their jobs will remain connected to the labour market and be ready to avail of opportunities when they arise. I attended the launch of INTREO in Sligo and it is a

demonstration of the Croke Park agreement in action. INTREO brings together public servants from FÁS and the HSE and civil servants from the Department of Social Protection to work in the interests of those who are unfortunate enough to be unemployed and to understand these individuals have a contribution to make, that they possess experience and talent, that they are motivated and that they are willing to do things in order to be of help in their local communities and contribute to their local economies. It is hoped the process being introduced in this regard will make a major difference.

**Deputy Mattie McGrath:** Did the Taoiseach give medals to those involved?

**The Taoiseach:** The 2013 action plan for jobs will see us redouble our efforts to ensure that every Minister, Department and agency will make the creation of the necessary conditions for employment the number one priority.

Access to finance is a critical issue for small businesses. Last week we launched the credit guarantee scheme which will facilitate lending to viable firms on the margins of commercial lending decisions in accessing credit. We will continue to focus our efforts on ensuring that viable businesses have the tools available for them to allow their day-to-day operations to operate as smoothly and effectively as possible. The Government will continue to engage with the banks so we move to a situation where people can see a demonstration of an effective and working banking system operating in the nation's interest. The central focus of this Government is to get Ireland working again. It is the unifying goal of this coalition. In doing so, we are making sure we do not repeat the mistakes made in the past, and that difficult decisions are faced up to and taken now which will benefit generations to come. Eighteen months ago, we had the privilege of assuming office but with a public system in chaos, cast adrift and rudderless by the previous Administration. Through hard work, determination and belief, we have set the country on a new path to recovery. We have a long way to go and there are challenging times ahead. We have taken only the first steps to stabilise the economy. The next steps will be to strive on for growth and jobs. These will be the priority pillars for our Presidency in the first half of 2013. The transition from the old, failed economy based on property, banking and debt, to a new, sustainable economy based on enterprise, exports and innovation, will not be easy. However, I have every confidence that the Ireland and the people emerging from this period of crisis will be stronger than ever.

**Acting Chairman (Deputy Bernard J. Durkan):** The next speaker is Deputy Sean Fleming who has ten minutes. I call the Tánaiste as Deputy Fleming is not present.

**Deputy Robert Dowds:** Possession is nine tenths of the law.

**Tánaiste and Minister for Foreign Affairs and Trade (Deputy Eamon Gilmore):** I am pleased to have the opportunity to contribute to this debate. In discussing the economy in this House, it is well past time for a bit of perspective and a lot more honesty. When they look to this Parliament, the Irish people are entitled to expect better than fairy tale economics and the politics of denial. We need to be up front with people about how we got into this crisis and what it will take to get out of it. It is wrong to peddle false solutions but it is right to be hopeful about the future. Ireland will emerge from this crisis. We will create jobs, we will improve living standards, we will create opportunities for our young people and we will move on as a country. These are the tests.

Economic recovery is not about statistics. It is about people and it is about a better life for

families who are suffering from the loss of jobs or income, who are struggling to get by and to manage debt, or who have been separated from each other by forced emigration. Recovery for people is what matters most. This Government in which the Labour Party is a partner, has one overriding objective, to secure economic recovery. In the 19 months since the Government took office, important progress has been made. Our country is in a far better position now than it was at the end of 2010. We all know that more remains to be done, but we also need to be realistic and clear-sighted about what can be done.

Austerity is one of Sinn Féin's favourite catchphrases. We are constantly told by those who like simple slogans that the Government is pursuing a policy of austerity. This is not the case. The Government's policy is not about austerity; it is about solvency. In November 2010, under the Fianna Fáil Government, we reached a point where no one would lend to the Irish State because after the property bubble, activity in the economy fell by 10% in two years. The deficit skyrocketed, and Fianna Fáil, with the support of Sinn Féin, guaranteed the losses in a broken banking system. This did not come from nowhere. Fianna Fáil is now trying to give us lectures on economics, when the reality is that it destroyed this country.

**Deputy Billy Kelleher:** The Tánaiste has a selective memory.

**Deputy Eamon Gilmore:** When a country cannot borrow money, it is a problem not just for the Government but for the banks in that country and for the companies with headquarters in that country, because lenders become unwilling to advance them money. The result is a credit squeeze which can have a hugely damaging impact right across the economy. Restoring the creditworthiness of the State is an essential prerequisite, not just for exiting the programme, but for maintaining a functioning economy. Of course, thanks to the bank guarantee brought in by Fianna Fáil and supported by Sinn Féin, the fate of the banks and the fate of the State were already deeply intertwined. Unwinding the damage done and reconstructing the banking system so it can contribute to recovery has been a central concern of Government----

**Deputy Mattie McGrath:** What about the promise to burn the bondholders? It is hypocrisy.

**Acting Chairman (Deputy Bernard J. Durkan):** The Tánaiste without interruption.

**Deputy Eamon Gilmore:** If the Opposition can point to a functioning, modern economy anywhere, whose Government and multinational companies cannot borrow money on the open market, then we are all ears. If the Opposition can point to a country whose economy can flourish without a functioning banking system, then I ask Members opposite to enlighten us please. If the Opposition can explain how we can continue to pay for valuable public services while continuing to spend far more than we earn, then let them lay it on the table. We can have all the discussions about austerity, but we need to be clear about one core fact: it we do not have control of our public finances than we cannot control our destiny.

I believe in public services. I believe in having good schools, good hospitals and safe streets. I believe in them so much that I do not want to hand decisions about those things over to foreign banks or lenders of last resort. The bottom line is that every slogan rattled off by Sinn Féin, every drum beaten by the mé féin brigade that calls itself an alliance, is about policies that take us backwards to the isolation that has been supported by some people who have opposed every single EU referendum since 1972.

*(Interruptions).*

**Acting Chairman (Deputy Bernard J. Durkan):** The Tánaiste without interruption.

**Deputy Eamon Gilmore:** Instead, this Government's strategy is about making progress, grounded in a difficult reality. The yield on Irish Government debt has fallen. While markets can always be expected to rise and fall, there has been significant improvement in the Irish position. Since the European Council meeting in June, yields on Irish debt have come in by about 1% and sentiment towards Ireland is improving in debt markets. It will take some time for that to feed through to the real economy but it is an essential component of what we have to do. The Government has always made it clear that there is no solution without jobs and growth and that financial stability is only a step on the way to that growth. That is why we have taken a series of measures to improve the flow of credit in the economy. The financial reform programme is based on the construction, from the wreckage of the bubble, of two pillar banks with capacity to lend into the real economy. At the same time, a series of measures such as the partial credit guarantee scheme and the microenterprise scheme have been put in place to help viable small businesses expand and to grow employment. The Government is currently examining insolvency legislation for small companies in order to facilitate the working out of debt for small and medium enterprises which are encumbered by large debts. The Strategic Investment Fund has developed a number of initiatives to support investment in new start-ups and is examining ways of investing in the restructuring of small business.

We are seeing a return to growth, driven by higher export-intensive activity by IDA Ireland, by our embassy network and by several other Government agencies. These activities have helped to transform the view of Ireland abroad. Evidence that this work is paying off is clear in the strong pipeline of investments in the Irish economy. Foreign investment has created over 9,000 jobs since March 2011. It is also particularly important to see the implications for construction employment of several foreign direct investment projects that have been announced in recent times. Irish small and medium enterprises have made important progress in developing new markets. In France, for example, Enterprise Ireland has supported double digit growth in Irish exports with particular emphasis on construction products and food. Export performance in general has been strong, despite the problems in the eurozone. The core problem, however, remains the domestic economy where consumption has been a drag on growth. The IMF noted recently, for example, that the savings ratio of 14% means that households in Ireland are rapidly reducing their indebtedness. The problem, however, is that the pace of paying down debt by the household sector as a whole, is a drag on growth. If the savings ratio were to come down by only 4%, this would add 1% to GDP.

The mortgage market is critical. It is vital, both on grounds of human decency and for the health of the economy that the banks start working through their distressed mortgages and begin offering restructuring arrangements to customers. At the other end, new mortgage lending is necessary to ensure recent signs of a more positive housing market are maintained. Normalisation of the properly market is an important component of economic recovery, just as dealing with the position of people in mortgage arrears is important to confidence in the economy as a whole.

The Government has taken a series of measures to bolster domestic activity. The jobs initiative, with its particular focus on hospitality, the Gathering and the Action Plan for Jobs are providing a boost for activity in tourism. The modest jobs initiative has already provided a spur for growth, with 10,500 more people working in the tourism sector now than when the Government took office in March 2011. The stimulus package will also boost demand through investment in infrastructure. In addition, budget measures have been introduced to help bring normality to the

property market and the National Asset Management Agency is making a €2 billion programme of investment in its portfolio. My colleague, the Minister for Social Protection, Deputy Joan Burton, has also introduced the JobBridge programme and is engaged in a major programme of reform to assist people on the live register in finding work.

No one argues that the rate of progress has been ideal, but it is wrong to claim no progress has been made. Ireland's position has significantly improved in the past 19 months, both in terms of its reputation abroad and the perception of its particular challenges. There is a much greater understanding of Ireland's position and the reasons we are seeking relief from the bank debt taken over by the State. In this instance, again, we need some perspective. There is no instant solution to this problem. The European Council conclusions of last June were a game-changer and Ireland has experienced substantial improvements in bond yields in the intervening period. The Government is not setting a timetable for the completion of the deal. We have been absolutely clear that we will work at this issue until we secure a result that is good for the country and we will do so in private. We have made good progress this week, with very positive discussions between Dublin, Paris and Berlin.

**Deputy Billy Kelleher:** Has the Tánaiste been to Frankfurt yet?

**Deputy Eamon Gilmore:** The various meetings have built on the hard work done day in and day out by our small but talented diplomatic corps and officials in the Department of Finance. There is constant engagement by officials and Ministers with our colleagues in Europe, including at formal meetings, on visits and in meetings of our political families. In the past two weeks, for example, I have been in Paris and I also attended a meeting with President Hollande in Brussels. I will be in Berlin on Friday. The Taoiseach had a formal meeting with the French President on Monday and was in telephone conversation with Chancellor Merkel on Sunday. The Minister for Finance, Deputy Michael Noonan, has also been meeting his counterparts. This is the constant work in which we are engaged to put forward Ireland's case. It is the patient diplomacy that will successfully achieve the result we need.

**Deputy Seán Crowe:** I do not know what speech I am reading at this stage. The Minister for Finance indicated he would outline how policies adopted by the Government were beginning to bear fruit. For many of those listening to his remarks, this fruit will be bitter. Deputies need only speak to members of their respective communities to learn about how Government policies are affecting their lives.

Speakers have outlined to the House what they expect to emerge from the deliberations at European level. While we all hoped the recent summit would provide greater certainty, it sent mixed messages and created greater confusion. Uncertainty can have a disastrous effect on the markets and it will not help Ireland to return to the markets in 2014. Deputies listened to positive spin about the recent European Council meeting. As with everything else, it is possible to take something positive from the summit. We were not sent to the bold boys' corner at the back of the room, for example, and it appears some discussions on Ireland took place at the meeting. While I listened carefully to the Tánaiste highlight positive aspects of the summit, it is difficult to glean what these were and certainly most of those who are worrying about how to make their next mortgage repayment will not have derived much comfort from it.

With the Government set to announce a budget in little more than one month, people are worried that it will be heavy on austerity. They are concerned about how it will affect them and their families and wonder if it will instil hope. Given their experience of previous budgets,

however, most of them are expecting more of the same. I genuinely hope the Government will do an about-face and recognise that austerity is not working either in Ireland or across Europe.

**Deputy Sean Sherlock:** Is it working in the Six Counties?

**Deputy Seán Crowe:** No, it is not working anywhere. That is my point.

**Deputy Sean Sherlock:** The Deputy's party is presiding over austerity in the Six Counties.

**Deputy Seán Crowe:** The difficulty in the Six Counties or the North, depending on what term one wishes to use, is that the Executive does not have fiscal control.

**Deputy Sean Sherlock:** Perhaps the House might debate what Sinn Féin is doing there. Is it not in government in the Six Counties?

**Acting Chairman (Deputy Bernard J. Durkan):** Please allow Deputy Seán Crowe to continue, without interruption.

**Deputy Sean Sherlock:** It is pursuing partitionist policies.

**A Deputy:** Should the Deputy not go to Stormont?

**Deputy Seán Crowe:** I have attended various meetings in Stormont. If the Deputies opposite want to make a speech, I can give way.

**Deputy Sean Sherlock:** Sinn Féin has separate economic policies for the Twenty-six Counties and the Six Counties.

**Acting Chairman (Deputy Bernard J. Durkan):** Please allow Deputy Seán Crowe to continue, without interruption.

**Deputy Sean Sherlock:** He should table a Private Members' motion on his party's economic policies.

**Deputy Seán Crowe:** I would not have a problem in tabling a Private Members' motion on the issue.

**Deputy Sean Sherlock:** The Deputy is speaking out of both sides of his mouth.

**Deputy Seán Crowe:** If the Minister of State does not understand the genuine concerns people have about what is coming down the line, he is living in cloud-cuckoo-land. One hears about those who live in bubbles and do not have a clue about what is going on in the real world. The Minister of State should be familiar with what is happening from his constituency, but he appears to be living on a different planet.

**Deputy Sean Sherlock:** I am much closer to people than the Deputy believes.

**Deputy Seán Crowe:** The most notable measures taken by the Government have been massive and crippling cuts in health, education and social welfare. The cruel cutbacks in the number of home help hours and health care packages show the most brutal side of the Government's austerity measures. These services have been cut to the bare minimum. The proposed cutbacks in the 2013 budget are not only a massive insult to some of our most vulnerable citizens but will also place lives at risk. The House recently debated how cuts in home care were affecting families. We heard, for example, that some helps were being given 15 minutes to complete

home visits. I do not know how one could dress or help an elderly or vulnerable person in such a short time, but perhaps a Government Deputy with more experience in this area than I will explain how it can be done. All the home helps with whom I have spoken are extremely concerned about how the proposed cuts will affect them.

The Irish League of Credit Unions recently published its latest “What’s Left” income tracker which shows that 1.3 million adults only have €50 to spend after paying essential bills each month. Many families are in difficulty, yet approximately €20 billion has been given to the banks on the Government’s watch. Workers’ hard-earned tax money is being spent on bailing out banks and paying a private debt they did not create or want to have placed on their shoulders. Many still do not understand how private debt was transformed into taxpayers’ debt because no explanation has been provided for how this scenario came about.

The Government’s procrastination over securing a deal on the debt is hurting ordinary families and households.

*5 o’clock*

One of the most important jobs for the Government is to ensure private banking debt does not continue to impoverish taxpayers. We need a deal on our debt very soon, not rhetoric or unclear statements from EU leaders. We need proactive measures coming from Europe. We need a real deal that will make a difference to struggling workers and their families across Europe.

The Government must also create a stimulus package for the economy which will create jobs and facilitate investment. There must be an increase in the jobs stimulus package around Europe because it is not enough. If those leaders were focused on what is happening in their own countries they would realise that the jobs stimulus package is not working. Unemployment and emigration are at levels not seen for decades. The old policies and the old approaches are not working. New thinking, new policies and a new economic programme are required.

There are 435,000 people on the live register. That is unacceptable. The figure would be even higher but 87,000 people emigrated from Ireland last year alone. That is nine people every hour for 2011.

Sinn Féin recently released its jobs document which contains a suggested €13 billion stimulus, a jobs retention fund and a series of other measures to assist young people, assist struggling businesses, foster entrepreneurs, grow local enterprises and co-operatives, the use of State assets for job creation, rejuvenate the State enterprise sector and support the agri-food sector. This €13 billion stimulus would create an average of 156,000 immediate and long-term jobs, according to the ESRI. It would be funded from €5.8 billion in discretionary funding in the National Pensions Reserve Fund, €1.534 billion from the European Investment Bank, €3 billion in incentivised investment from the private pensions sector, and we would not cut the €2.6 billion the Government will cut from its capital budget programme.

On a political and practical level the austerity policies being pursued by the Government and the troika have failed the economy and they are failing across the European Union. Sinn Féin has raised the stimulus proposals with the troika. It has said it has not opposed the stimulus. In fact, increasingly, it appreciates the need for it. Its concern is around the way it is funded. It would rather the State spent resources on writing down our debt but it has not ruled it out, and realpolitik must rule it in. I do not envisage this stimulus being an issue with the troika as every report shows its austerity approach is not working to recover our economy. The irony

is that it saw the need for it before the Government.

Every sensible economist in the world is pointing to the need for European economies to grow, not contract. We cannot have growth through contraction. We do not need to ask the economists but it is clear that we need jobs in this state. We have a well qualified and hard-working workforce which is the envy of many countries, yet the Government is standing over an unemployment rate of nearly 15%, with long-term unemployment at a shocking 60%. If the jobless numbers are allowed to grow revenue will continue to decline and social welfare will continue to rise. Unemployment paralyses an economy. According to the Government figures each person who is unemployed costs the State in the region of €20,000 directly through money lost in PAYE and social welfare costs.

In addition to the impact on tax and welfare, fewer people working is fewer people spending in the economy and fewer people paying their mortgages. It is a recipe for emigration, poverty, social inequality and rising crime. We must get people back to work, and what I am hearing is that jobs are people's major concern. The Government is failing to deal with that problem. We do not see any clear vision in regard to that entire area. That failure to manage the economy, plan for challenges ahead and properly regulate has left us where we are today, with so many people emigrating.

**Minister for Communications, Energy and Natural Resources (Deputy Pat Rabbitte):** I am surprised to see the Opposition benches so sparsely populated, given all the bleating they do about the economy.

Over 18 months ago the people of this country got a new Government but the same old economy. It was an economy in deep recession almost submerged in debt, shedding workers by the thousand and crippled by multiple policy mistakes made over a decade. The new Government also inherited an economy being directed from outside, in particular in respect of the major fiscal parameters. Most people understand that a new Government cannot banish the past and start with a blank sheet of paper. The wreckage must be confronted, the economy must be recast, the public finances put on a sustainable path and the banks caused to start lending again. The process is a painful one, especially for some of the people.

The economic crisis that we have inherited is the most serious since the Second World War. I am not sure that this is a truth universally acknowledged. A banking collapse as well as a global slump is the perfect storm.

It is true that the economy has returned to growth but it is not experiencing the growth rates anticipated by the programme for Government. It is difficult to grow an economy as open as ours when our trading partners are themselves contracting and when the eurozone remains in some tumult. Stability in the eurozone, together with the return of the public finances to a sustainable path and a functioning banking system, will see the economy grow again. We are more competitive now and we continue to enjoy the competitive advantages well travelled in our industrial strategy. However, there is not yet stability in the eurozone although the very significant progress of recent months has to be acknowledged. It is crucially important, with the minimum of delay, that the refurbishment of the euro architecture is brought to finality. It is imperative that our banks return to the practice of skills that became redundant during the property bubble, in particular, skills on how to assess risk, lend to enterprise and, especially, to the SME sector.

As the Taoiseach expressed it in Paris, a European solution was imposed on Ireland but without European sharing. It is only important to history to establish if this was allowed to happen because of the level of dysfunction then engulfing the Irish Government. The fact is it did happen-----

*Notice taken that 20 Members were not present; House counted and 20 Members being present,*

**Deputy Pat Rabbitte:** I was making the point that a European solution had been imposed on the Government but not European sharing. It is a matter only for historians whether this was allowed to happen because of the level of dysfunction engulfing the Government at the time. The important fact is that it did happen and it was unjust. Explaining that injustice to our EU partners has taken up so much time for Ministers and senior officials. The opportunistic noises at home have never been helpful. I am looking forward to hearing some opportunistic noises from the only backbenches which are populated.

**Deputy Stephen S. Donnelly:** We learned from the best across the Chamber.

**Deputy Pat Rabbitte:** Turning to more specific actions, the widespread availability of high speed broadband is a key requirement in delivering future economic and social development. With basic broadband services now widely available, the challenge is to accelerate the roll-out of high speed services. The Government's recently published national broadband plan aims to radically change the broadband landscape by ensuring high speed services of at least 30 Mbps are available to all citizens and businesses, well in advance of the European Union's target date of 2020. Speeds of 70 to 100 Mbps will be available from the commercial market operators for more than half of the population by 2015. At least 40 Mbps and, in many cases, faster speeds, will be available to at least a further 20%, or possibly even 35% of the population, during the lifetime of the Government. A minimum of 30 Mbps will be available for every remaining home and business during the lifetime of the Government.

The initiative under way to equip all second level schools with high speed broadband by 2014 is transforming the learning environment. This will enable students to acquire and engage with the digital world which is so crucial to the modern economy. This infrastructure is critically important for business growth and development, as well as many other facets of modern society, including entertainment, education, e-health, and e-government. Apart from providing the infrastructure, it is becoming increasingly important to stimulate demand for broadband. In this regard, I intend to publish a national digital strategy by the end of the year. A particular target will be small enterprises and the small and medium-sized enterprises sector generally, with the aim of helping these firms maximise the opportunities available from building an on-line presence.

One of the immensely valuable aspects of today's digital switchover not much mentioned is the freeing up of important spectrum which will be auctioned and greatly enhance broadband quality. A figure of €185 million has been pencilled in to the national accounts for 2012. The spectrum auction to be conducted by the regulator could realise somewhat in excess of that figure, but it will take another month or so before we have an indication of the real figure.

Regarding the energy sector, it is clear Ireland is very dependent on imported sources of fuel. Imported fuel is subject to price volatility and there is a compelling security of supply case that we should develop the large renewable energy resources we have available here on the

island. The fundamental requirement of being able to develop renewable resources at scale is to be able to access a much larger electricity market. In that regard, increased interconnection with the United Kingdom offers us the opportunity to access a much larger market which facilitates the development of our renewable energy industry. Renewable energy sources development on that scale will encounter technical, logistical, planning and environmental challenges. In meeting these challenges the potential opportunities could be very considerable for exports from Ireland and could provide real benefits and economic opportunities for the regions where the renewable resources are located.

Construction job opportunities will arise as new renewable energy resources generation plants are being built. Additionally, such generators are commercial businesses which would form part of the rate-paying base. At a time when local government finances are under pressure, such developments are and will be a long-term and stable source of income for local authorities. Typically, such generators would pay around €7,000 per annum per megawatt of installed capacity in commercial rates. Our aim is to create a low-carbon economy which will deliver benefits in terms of growth, innovation, competitiveness, job creation, energy security and environmental quality. Achieving these objectives will provide us with the opportunity to transform the economy and the regions.

Our energy infrastructure is crucial for our economic and social development. Our ability to attract and retain foreign direct investment and sustain enterprise depends on guaranteeing an energy supply at competitive cost. Rebuilding the economy, delivering regional development, creating jobs and growth, as well as realising the economic potential of our renewable energy resources, will all be facilitated by investment in our energy infrastructure. Investment in the national networks will underpin economic development not just at the national scale but also regionally. Rural and remote areas particularly need stronger electricity infrastructure to provide the necessary facilities for economic activity.

On 18 July I published the Government's policy statement on the strategic importance of transmission and other energy infrastructure. This policy statement reaffirmed the Government's commitment to the imperative need for development and renewal of Ireland's energy networks to meet both economic and social policy goals. The key elements of the statement are that the planning process provides the necessary framework for ensuring all necessary standards are met and that comprehensive statutory and non-statutory consultation is built into the process. It also acknowledges the need for social acceptance and the appropriateness of exploring ways of building community gain considerations into project planning and budgeting. It accepts delivering long-lasting benefits to communities is an important way of achieving public acceptability for infrastructure. It also provides that network companies are mandated to plan their developments in a safe, efficient and economic manner and are also required to address and mitigate human, environmental and landscape impacts in delivering the best possible engineering solutions.

The major investment under way in the high voltage electricity transmission system is under EirGrid's Grid 25 programme, the most important such investment in the transmission system for several generations. While the Government does not seek to direct infrastructure developers to particular sites or routes or technologies, it endorses, supports and promotes the strategic programmes of the energy infrastructure providers, particularly EirGrid's Grid 25 investment programme, across the regions. Such investments are very much in the national interest, not least in the current economic circumstances. It is crucial these investment programmes are delivered in the most cost efficient and timely way possible on the basis of the best available knowledge

and informed engagement on the impacts, as well as the costs of different engineering solutions.

In addition to EirGrid's Grid 25 programme and other network and connection reinforcements, the network investment programmes by ESB Networks and Bord Gáis Energy in recent years have given us energy networks which have met the test of severe weather episodes and record peak demands. Ireland's energy networks compare very favourably with those in other countries in terms of safety and resilience. Continuing the steady level of development and renewal of the networks is essential to ensure Ireland's energy system is fit for purpose, safe and secure, and ready to meet increased demand.

Another critical issue in terms of security of supply, lowering costs and reducing our carbon footprint is energy efficiency. The Sustainable Energy Authority of Ireland administers several schemes under the better energy programme, including better energy homes, warmer homes and workplaces. Exchequer funding of €76.146 million has been allocated to the programme in 2012 which is projected to deliver 567 GWh, gigawatt hours, in energy savings this year, which would be the equivalent of an energy spend of €34 million. These measures have also supported a large number of jobs, alleviated fuel poverty and provided healthier and more comfortable homes and workplaces for thousands of people.

I am committed to the further development of our communications and energy infrastructure markets. This will play a key role in driving forward the wider economy and fully realising the recovery towards which we are all working. I regret none of my friends from Fianna Fáil is in the House. One of their young Members in the Upper House today tweeted that I had made a speech without mentioning them. Regrettably, I have had to repeat it here. However, I do not want them to take this as a guarantee for the future.

**Deputy Shane Ross:** I wish to share time with Deputy Donnelly and we will take five minutes each.

I note the Minister's jibe about opportunism. Sometimes I wonder whether the Government could have taken a lesson from those whom it accuses of opportunism and taken certain opportunities on various occasions when it could have during this short Dáil, especially in light of the story that broke yesterday on the report on pensions. The Government decided to introduce the pensions levy more than one year ago. I suggested - it was an opportunistic suggestion but a practical one - to the Taoiseach that the way to get rid of this levy was to take the money out of the industry rather than the fund members. The Taoiseach said that it was a good idea, that the Government would look at it and that it was always keen to hear constructive suggestions. That sounded reasonable to me and an *entente cordiale* developed between the Government and the Opposition which was welcome in a time of national emergency. What did the Taoiseach do with that suggestion? Eventually, it found its way to a committee. That committee took considerably more than one year to report, but it reported yesterday. It found exactly the facts as enunciated in this House more than a year ago - that is, that the industry was ripping off members of pension funds.

The report echoed something found out by George Lee more than a year ago in a programme he presented entitled "Future Shock", which found once again that the industry was ripping off pensioners. Instead of acknowledging this at the time, those in the Government decided that there was a big pot of money, amounting to €80 billion, and that they would put their hands in it and take money off pensioners at a rate of 0.6%. If the Government is serious about not being captured by industries such as the pensions industry, it would have acknowledged at the time

that investment managers, bankers, lawyers, auditors and brokers had their hands in this pensions pot. The Government might as well have put its hands on these actors rather than taking the money from pensioners in the way it did. The naked figures from the report yesterday are startling and illustrate to the Minister, to me and to others that although there is a crock of gold in the pensions industry, it is all being taken by the top dogs in that industry, and this is continuing. There is a crock of gold, but for some reason the Government is captured by those in the industry and is taking no action whatsoever.

Investment managers are possibly the most overpaid group of people in the country and they are being paid for doing something which they do extraordinarily badly. Pension funds in Ireland have had the worst performance in the world in the past decade, yet pension funds continue to be ripped off. One figure from the report yesterday stated that an average person putting €250 per month into an occupational pension fund would get, over 30 years, a return of approximately €10,000 if there were not so many people dipping into that pot. Instead, such a person gets €6,900 per annum. The difference is going to the greedy fat cats by whom this Government and successive Governments have been captured.

**Deputy Pat Rabbitte:** That is why we did the report.

**Deputy Shane Ross:** The report took one and a quarter years to find out things that we knew about already. That is typical. There should be a sense of urgency.

**Deputy Pat Rabbitte:** We cannot proceed on anecdotal evidence.

**Deputy Shane Ross:** It was not anecdotal evidence. It was absolutely established and obvious to anyone.

**Deputy Sean Sherlock:** Is that George Lee, the former Member?

*(Interruptions).*

**Deputy Shane Ross:** It is simply a measure of the fact that those in government cannot possibly take decisions without referring first to the Civil Service. Some of the people on the committee to which they referred this task were people by whom they have been captured. Two of these were top civil servants, who enjoy a sacred level of pay and working conditions, which the Government seems reluctant to attack. Another was the chief executive of the Pensions Board. Why, in the name of God, when the Government was looking into reform of the pensions industry, did it approach the chief executive of the Pensions Board to be an arbiter of the process, when he has been in charge of this rotten industry for so long?

**Deputy Stephen S. Donnelly:** The Minister said he looked forward to opportunistic noise from this side of the House, but in his new way of doing politics he has chosen to leave the House straight away. Obviously he has had enough. I confess to not having the Minister's county council experience, which he seems to think necessary to understand macroeconomics, but I will do my best nonetheless.

I have only one message to get across to the Government in preparation for 2013. The regressive nature of last year's budget cannot be allowed to happen again. Analysis of last year's budget by the ESRI showed that there was a perfect correlation between household income and how much pain a household was required to take. Unfortunately, the correlation was as follows: the less money one had, the greater the share of the burden the Government asked one to

carry. This has been independently verified by the ESRI. There is a perfect correlation between having less and being asked to pay more by the Government. Last year, a single parent with three children was asked to stump up €4,600 while an individual earning €200,000 was asked to stump up €100. This is what the Government did last year by choice. It made a lone parent with three children contribute 46 times more to correcting the deficit than a high earner earning €200,000.

Are we surprised to hear that one in ten children in our country are living in food poverty? This is one of the most developed nations on earth and a country that still has one of the highest average incomes in the world; the fact that it allows one in ten of its children to suffer from food poverty is nothing short of disgusting. Not only did last year's budget not alleviate this, it made it happen. I do not say this lightly or for effect, despite cheap jibes from senior Ministers. Every Labour Party and Fine Gael Cabinet member should feel a deep sense of shame for agreeing last year's budget.

I suggest two things to try to avoid such an occurrence this year. An impact analysis of the proposed measures should be carried out before they are announced. We need a poverty impact assessment. This is standard practice in other countries. We need to know how many more Irish children will be in food poverty after this budget. We need to know how many more families will fall below the poverty line. We need a gender impact analysis. When the vast majority of decision makers are men, policies tend to be unbalanced. Eighty-five percent of Members of Dáil Éireann are male and 88% of Cabinet members are male. The statement of the Minister for Finance, Deputy Noonan, on the budget earlier today is a perfect example. In his contribution on the labour market, the only sector of the economy he referred to was the construction sector. The vast majority of jobs which will, I hope, be created by the €17 billion capital expenditure programme will be for males. This is despite the live register figures showing that the greatest increase in unemployment has been suffered not by men but by women.

I propose that the Government consider more investment-led options. Investment capital can be raised from a range of sources. We have existing cash reserves which could be used. We can target taxes to raise some of the funds. We could have sensible expenditure savings - for example, a pause in increments, for which €170 million is factored into the budget this year. We could extend the troika correction timeline. Having met them last week, I believe they would be open to a longer programme correction. We could invest this in human capital and in job supporting infrastructure. There has been far too much attention directed to supply-side initiatives.

In July 2006 there were 170,000 signing on. Six years later that number had increased by 300,000. The issue here is not people unwilling to work or who need increased incentives to work. People are desperate to work and solving that requires addressing the demand side. It requires more rigorous investment. It is not acceptable for these people to be written off. The IMF forecast for 2017 is that Ireland's employment rate will be 11%, that is, 325,000 unemployed. It is not acceptable for us to view these as collateral damage of the crisis. It is not acceptable to continue to refuse to hire new teachers in the name of the Croke Park agreement. It is not acceptable to award €410 million in increments between the previous budget and this one, and claim there is only €90 million available for a micro-enterprise fund. It is my hope that the Government takes a very different approach to Budget 2013 and that it will begin finally to start putting the citizen ahead of the health of the balance sheets of the banks.

**Deputy Noel Harrington:** I welcome the opportunity for us, as representatives of the Irish

people, to discuss the state of the economy. I presume we are having this debate because we have been in recession for the last four years.

The previous Governments, between 1997 and 2011, were reckless. A dictionary definition of “reckless” we looked at suggests wild carelessness and disregard for consequences. This describes perfectly the behaviour and standards of those Governments, mainly dominated by Fianna Fáil aided by the now defunct Progressive Democrats and the Green Party.

There were others. Our banks lacked any sense of morality or even decency in their quest for profits where bonuses were paid on turnover and deals done. This led to a kind of a rush for a pot of gold buried under a Celtic rainbow that was as unsustainable and as false as the myth, helped along by our regulators who did not have the integrity or guts to call stop. We now see the results, with over 250,000 jobs lost between 2007 and 2009. The unemployment rate in 2008 was 7.4%. In 2012, it is 14.4% which, regrettably, does not include the thousands of our young people who have sought to seek work abroad.

At the end of 2011 the national debt stood at over €119 billion or almost €26,000 for every man, woman and child in the State. These figures are broken down as approximately €60 billion in borrowing to cover the costs of mismanaging the State so abysmally and another €60 billion to cover the deficit in the accounts of our financial institutions, of which €30 billion has been to cover the losses of the former Anglo Irish Bank or €6,500 of debt for every man, woman and child in this country.

The Government has found itself in the most difficult position ever faced in economic terms in this country and bound by the agreements that the previous Government entered into before running to the hills. I mention the bailout agreement and the Croke Park agreement, both of which are necessary and have restricted the hands of the Government in the options that it can take to bring the country back to being a sound economy.

At a time of record growth, the then Government should have had restrictive policies. They should have cooled the jets a little, but did not have the ability or the wherewithal to implement the most basic economic principles. At a time of recession, the Government should now have the ability to invest but, as a result of the previous Administration’s waste, it simply does not have access to the funding necessary to carry out those programmes.

I am very disillusioned by the disjointed opinions expressed by those occupying the Independent seats in the House. They continue to oppose many new revenue generating schemes going as far as advocating not paying legitimate taxes that were voted for in this House. One must wonder whether they accept the basic principles of the democracy in which we exist and of the representation that they are honoured to hold to sit here in this House. They also oppose every cut on the expenditure side. They oppose every possible move to rectify the situation. It is hard to understand. We have not heard one credible contribution as to how we can go about providing a secure Ireland in future for citizens.

**Deputy Stephen S. Donnelly:** Obviously, the Deputy was not listening hard.

**Deputy Noel Harrington:** The Deputy talks about funds that are not available. He talks about leveraging funds and propagating the same mistakes.

**Deputy Stephen S. Donnelly:** I am talking about €410 million in pay rises to public services that are unnecessary.

**An Leas-Cheann Comhairle:** Deputy Noel Harrington has the floor.

**Deputy Noel Harrington:** Deputy Stephen Donnelly has the luxury to rant and rave every day opposing every move to increase the Exchequer income or to reduce Exchequer expenditure-----

**Deputy Stephen S. Donnelly:** I have just given ten ideas. Would the Deputy listen?

**Deputy Noel Harrington:** -----but he must remember that the people voted for the Government by a large majority to remedy the situation and they confirmed that decision by voting for the fiscal treaty in the referendum.

**Deputy Stephen S. Donnelly:** They are sorry.

**Deputy Noel Harrington:** We cannot borrow money if we cannot pay it back. Sometimes Deputy Stephen Donnelly talks about macroeconomics. Sometimes he talks about microeconomics. He talks about a country operating the same as a household. Sometimes the same principles apply. One must cut your cloth to fit the measure. The situation we have inherited, according to the 2012 Estimates, is that we as a Parliament on behalf of the people will spend over €55 billion to run the country. We are raising only €38 billion. We are overspending by almost €3,900 for every single person in the country.

We have an unemployment rate of over 14% but also an employment rate of 86%. For example, in my constituency of Cork South-West the figures show there was an increase in population of over 6,000 persons between the recent census and the previous one. The amount of people who are at work remains the same and one could easily extrapolate that maybe 6,000 emigrated. The critical point, if one examines the figures, is that 2,500 lost their jobs in the construction and retail sectors while there was an increase of 2,200 jobs in administration and public services. That happened only in one small sparsely populated constituency in this country and if one extrapolates it to every constituency in the country, one sees the problem of a basic unsustainable characteristic in the economy that must be addressed. We cannot afford to allow this trend to continue where the public sector is growing at an unsustainable rate while the number employed in the private sector is contracting at an alarming rate. This shows at the local level how the public finances at a national level are in such a negative state, and that is what needs to be fixed first.

We need to recreate an economy that will encourage enterprise that will create sustainable jobs throughout the country. The Taoiseach and the Ministers have this as their first priority and I note this would be the wish of every Member in this House. There have been recent announcements by Irish companies such as the Kerry Group and in my constituency, multinationals such as Eli Lilly in Dunderrow near Kinsale, achieving tremendous results in different sectors and providing different opportunities for the people.

We need to encourage those who want to work rather than dependence on social welfare payments. We need to increase the mobility of those taking up short-term or temporary employment who are being deterred if it take up to six weeks to regain their social welfare payment following the cessation of their work. Unfortunately, in many constituencies where there is seasonal work that is a real factor. We need to examine the possibility of fast tracking the bureaucracy associated with these applications for social protection when they did take up an employment opportunity even if it was of a temporary or seasonal nature. Everything helps. We need to examine the poverty layer that is perceived in moving from a social protection

scheme back to employment.

I ask the Minister for Social Protection to examine the operation of the back-to-education allowance. For example, I was recently contacted by a constituent who had a third level qualification in the construction sector and who had been employed for eight years as an architectural technician. She has been unemployed since 2008 and has been informed that the software has moved on so far that she would no longer be qualified in that sector. She sought a place on a back-to-education scheme to train as a technician with the guarantee of a job once the course had been completed. However, because she would be taking a course at the same FETAC level, she was not allowed. She is still on jobseeker's allowance. I ask the Minister to examine the possibility of allowing retraining when a person's original qualification is out of date or the prospect of employment in his or her original profession is non-existent. We must be more flexible with these incentive schemes.

We also need to look at child benefit and its relationship, for example, with other social protection schemes such as family income supplement. The latter is not taken up enough and would possibly encourage more people to consider working. Our Ministers must make hard choices every day of the week. We have inherited the Croke Park agreement, which is a delicate balance between looking after the interests of those working for our State and reducing our deficit. I would like to encourage those in the public service to make a contribution to rebuilding our economy. I note a report carried by *The Irish Times* this month on EUROSTAT data which indicates that Irish employees spend an average of 38.5 hours in the workplace per week, which is two hours less than the European average. I also note that those in the education sector have the shortest working week, at only 31.5 hours, which is six hours below the EU average. If we are to be competitive again, perhaps we will have to consider working a little bit harder or a little bit longer - maybe an hour extra per week. I note the success of the Minister for Justice and Equality and the staff in his Department in reducing the processing time for citizenship applications from two and a half years to nine months. It would be great to see similar improvements throughout the public sector, which would prove that the Croke Park agreement is in the interest of all of our citizens. Reform can happen.

There are some parts of the economy in which confidence and trust are real and tangible characteristics. They are as tangible and real as regulation and investment. However, the noise that we constantly hear, sometimes in this House, on the streets and in the media, with some notable examples in *The Wall Street Journal* recently, do no service to this country. If we are to get the retail sector back on its feet or the construction sector back to a sustainable level, we must increase our confidence and belief in the ability of our people to get the economy back in hand. We must believe that we can get the country up and running and back to work.

**Deputy Micheál Martin:** I am somewhat disappointed at the nature and tenor of the debate so far. Members of the Government parties are falling back on the old routine of attacking Opposition members, blaming everybody and not dealing in a calm and insightful way with what we are currently experiencing. To hear Deputy Noel Harrington speak about the honourable Independent Deputy as "ranting and raving" sums up the Government's approach. If an Independent Deputy or anybody else who is not in Government says anything that is mildly critical-----

**Deputy Michael Creed:** The same honourable Independent Deputy who criticised the Minister for leaving the House has just left himself.

**Deputy Micheál Martin:** I actually heard the Deputy speak and thought he spoke very constructively. One might not agree with everything he said but he made some good suggestions. His contribution was described as a rant. I heard the Tánaiste earlier, still in election mode 21 months on, blaming Fianna Fáil for destroying the country. It was almost a repeat of the election debates, with him talking about “Frankfurt’s way” and “Labour’s way”. He was giving out about the bank guarantee, claiming he voted against it. He knows his Taoiseach voted for the bank guarantee. His own party voted against the bank guarantee, not because of the guarantee itself but because he felt the Government would have too much power and control over the banks. He wanted to nationalise the banks but there is no great difference between nationalising the banks and guaranteeing them. Their debts still have to be dealt with either way.

An awful lot was said before the election and a lot of mythology was peddled and continues to be peddled. The bottom line is that the bank guarantee was introduced because of liquidity issues, not only in Irish banks but across Europe and the United States.

**Deputy Michael Creed:** It was not a liquidity issue at all.

**Deputy Micheál Martin:** If Deputies read Alistair Darling’s account-----

**Deputy Michael Creed:** Solvency was the issue, not liquidity.

**Deputy Micheál Martin:** I ask the Deputy to allow me to speak. I have only ten minutes. With the greatest of respect, please allow democracy to take its course and permit people to speak.

If Deputies read Alistair Darling’s account they will see that the very same thing was happening in Britain. He received a telephone call one afternoon informing him that Royal Bank of Scotland, RBS, one of the largest banks in the world, was about to go bust. Why was that the case? It was because of a liquidity crisis across the entire banking system in the developed world. In the aftermath of the collapse of Lehman Brothers, banking confidence was shattered, banks stopped lending to each other and we had an enormous crisis. That was the initial manifestation of a much deeper crisis, which became a solvency crisis subsequently. These are the issues and, as Professor Honohan said in his analysis of the bank guarantee, something substantive had to be put in place to avoid a further catastrophic hit on the Irish economy over and above the hit that resulted from the general economic collapse in Western developed economies. I agree we made contributions to the problem in terms of domestic policy, but what was interesting was the Tánaiste’s claim that the Government is rescuing the situation. He basically opposed every single item of the programme he is now enthusiastically endorsing for three or four years before he entered government. The Tánaiste fought tooth and nail against every single taxation measure that was proposed in this House, as did the Taoiseach and the Fine Gael Party. They also opposed every cut and followed every lobby group wherever it wanted to lead them. The Tánaiste made commitment after commitment, as we know from the debate about Roscommon hospital and so on.

**Deputy Colm Keaveney:** What about minimum rates of pay? He made a commitment on that and delivered.

**Deputy Micheál Martin:** Anything to do with fiscal consolidation was opposed and yet now, one year on, hey presto - this Government has rescued everything. I wish to remind the Tánaiste that €21 billion of the €30 billion consolidation of the public finances was carried out by the previous Government and he opposed it tooth and nail.

**Deputy Colm Keaveney:** The Deputy's party had 15 years. The Labour Party has only had 15 months.

**An Leas-Cheann Comhairle:** The Deputy is on the list to speak and I ask him to wait his turn.

**Deputy Micheál Martin:** The European monetary system did not work. The euro did not work. This was never an Irish crisis on its own. We know that now and to suggest that it was is dishonest. I urge Deputies to read Kevin Rafter's book, which is good in terms of explaining the inner workings of the Fine Gael operation and how its members had to label things. The mantra was that this was a Fianna Fáil banking problem and they had to keep saying that, no matter what. They had to keep saying it on every television and radio programme. That is fine; it is the way things are in elections. However, I did not expect it to continue 21 months on. The situation is serious.

**Deputy Brian Hayes:** The Deputy seems to have a lot of time for reading these days.

**Deputy Micheál Martin:** One of the reasons I called for this debate was that the reports from the ESRI, the Central Bank and the Irish Fiscal Advisory Council are all casting doubt on the capacity of the Government to see through the programme accurately. When my party put forward amendments to the Fiscal Responsibility Bill to require that the Government should at the very least respond to opinions from the fiscal council, they were voted down by the Government. There has been much talk about learning lessons from the crisis. The establishment of the fiscal council was supposed to be one such lesson, but we are not giving it any teeth or allowing its opinions to have any impact on public policy formulation. We may not like the observations of an independent fiscal council but the very least it deserves is a studied and considered response from the Government of the day. For the Taoiseach to glibly come into the House and say that we are not bound by that, with a wave of the hand, and dismiss an independent fiscal council is not healthy. Nor is it in the long-term interests of the country. In Sweden-----

**Deputy Brian Hayes:** The Deputy is making it up.

**Deputy Micheál Martin:** No; he said that.

**Deputy Brian Hayes:** The Deputy is being totally disingenuous.

**Deputy Micheál Martin:** On the Fiscal Responsibility Bill, I am correct about the amendment that was tabled. The bottom line is that the Government does not have to respond.

**Deputy Brian Hayes:** The Deputy is being totally disingenuous and he knows it.

**Deputy Micheál Martin:** The Government does not have to make a response. Does the Minister of State accept that?

**Deputy Brian Hayes:** No.

**An Leas-Cheann Comhairle:** Deputy Micheál Martin has the floor and I ask for respect for the speaker.

**Deputy Micheál Martin:** That is symptomatic of the Government's approach to the wider economic situation, and that situation is not healthy, irrespective of what figures one looks at. I expect that the next report from the troika will be somewhat more nuanced than the previous

ones. Strictly numerically, we are on target, because of the work of the previous Government. The current Government has followed through on that and has introduced one budget so far, involving €3.5 billion. The main area in which I would fault the Government is its approach. It seems to be going for the line of least resistance. There is no radical reform taking place that will have a sustained influence on Government finances. The Government took a hodge-podge approach to the budget in the hope that economic growth would take care of our problems. The economy is not growing at the rate predicted, however, which means the targets are not materialising. That casts a shadow over our sustainability. Our EU partners, who continue to hear a confused message, ask us why we are looking for a reduction on bank debt if we are performing so well.

The troika's target on mortgages has been missed, the Personal Insolvency Bill is being delayed and those who desperately need help with unsustainable debts are left in a financial limbo. It is also a poor Bill. Second quarter GDP is flat and it avoided slipping into recession this year by a mere €3 million. Consumer spending and investment is down by 18%. The labour force has shrunk by 30,000 in the last year. We have a huge problem in the domestic economy and the measures implemented by the Government have been ineffectual. The 430,000 people who are on the live register will be taken aback to hear the Government's claim that it is 95% on target with the jobs action plan given that it has had no impact on the numbers unemployed.

The stimulus plan was disappointing. We calculate that the €2.25 billion in additional spending is being spread over seven years, which averages at €320 million per annum. That is a fraction of 1% of GDP. The Government cut capital expenditure by €750 million this year and a further €550 million next year. It is not making the cuts to current expenditure because wants to avoid as much pain as it can but if it is genuine about a stimulus plan it should maintain the capital programme by investing in school building, summer works and other projects that would stimulate a measure of employment. We estimate that last year's cuts to the capital programme cost approximately 8,000 jobs. It could demonstrate its commitment to address the jobs crisis through the capital programme.

I welcome the Taoiseach's statement on the debt issue with Francois Hollande. He stated that Ireland is unique because the European position was imposed on it and the Government did not have the opportunity to burn bondholders. It was the first time he admitted in a calm and non-partisan environment that the bailout was imposed by the European institutions. Despite the promises by Fine Gael and the Labour Party to burn the bondholders -----

**Deputy Michael Creed:** Read the manifesto.

**Deputy Micheál Martin:** I read it. I give credit where credit is due on the document.

**Deputy Brian Hayes:** More distortion.

**Deputy Micheál Martin:** People expected bondholders to be burned -----

**Deputy Brian Hayes:** By agreement.

**Deputy Micheál Martin:** ----- but, of course, they were not.

**Deputy Brian Hayes:** Not unilaterally.

**Deputy Micheál Martin:** What was worse is that unsecured bondholders were paid over and above any bank guarantee.

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**Deputy Brian Hayes:** Fianna Fáil did 80% of it.

**An Leas-Cheann Comhairle:** Order, please.

**Deputy Micheál Martin:** The Government did it until the most recent of times. What is even more incredible is that it paid back those who bought the bonds at a significant discount. The Taoiseach's assessment was correct but that did not suit the message that had to be articulated during the election campaign.

**Deputy Brian Hayes:** It did not suit the Deputy last Friday.

**Deputy Micheál Martin:** He can say that as he leaves the Élysée Palace but in this House he mutters that we panicked. He cannot have it both ways.

**Deputy Brian Hayes:** We were not making fools of ourselves on the plinth last Friday.

**Deputy Micheál Martin:** It is time he copped on.

**Deputy Brian Hayes:** The Deputy had a bad weekend.

**Deputy Micheál Martin:** The Minister of State knows that the Taoiseach had a very fretful weekend.

**Deputy Brian Hayes:** Dancing on the plinth.

**Deputy Micheál Martin:** It was not because of me or anybody else on this side of the House but because of Angela Merkel.

**Deputy Brian Hayes:** The Deputy wants the country to fail.

**Deputy Micheál Martin:** I was the first to say that I wanted the Government to succeed in terms of debt but it cannot continue to say everything it is doing is right.

**Deputy Brian Hayes:** Dancing on the plinth.

**Deputy Micheál Martin:** Has the Minister of State not indicated that the debt is unsustainable?

**Deputy Brian Hayes:** Dancing on the plinth.

**Deputy Micheál Martin:** His Department officially states that the debt is sustainable.

**Deputy Brian Hayes:** Where are the Deputy's alternatives?

**Deputy Micheál Martin:** It is noteworthy that the Minister of State's comment on "Prime Time" that the debt is unsustainable directly contradicted the view of his own Department. In May 2012, the Department produced a document, The Irish Economy in Perspective, which stated that our debt is sustainable.

**Deputy Brian Hayes:** What is the Deputy's view?

**Deputy Micheál Martin:** How can he expect Angela Merkel or the Dutch and Finnish Prime Ministers to address the issue of our debt if the Department of Finance states that it is sustainable? The Government should at least get its thinking in sync between the politicians

and the Department in regard to debt sustainability.

**Deputy Brian Hayes:** The Deputy spoke for ten minutes without suggesting one positive initiative.

**Deputy Micheál Martin:** We have proposed several initiatives, including the debt settlement office Bill.

**Deputy Michael Creed:** I welcome the opportunity to speak in this debate on the economy as the Government prepares to introduce a difficult budget. I acknowledge the fear and concern that exists around the country about what will be in the budget. People need a long-term road-map which would allow them to make decisions about the level of spending that is sustainable for them on an individual basis. That certainty would release some of the additional spending which is critical to our recovery.

I cannot let the previous speaker or the right honourable Member from Dublin South, Deputy Shane Ross, emerge unscathed given the comments that they made. Deputy Shane Ross lamented that the Government failed to take on board his suggestions on the pensions industry. It is not that long ago that he was a cheerleader for disgraced bankers, whom he lauded as role models for business in this country. I commend the Minister for Social Protection on her initiative and hope it is acted on in the context of the budget. Sometimes the shrill announcements from high on the Opposition benches disappoint me considerably because the Members opposite know better. It is not always easy to appeal to the populace if one takes a rational approach in politics.

Deputy Micheál Martin did not offer a single positive suggestion on how the Government might frame the budget. The banking guarantee was marketed to the last Dáil as a means of addressing liquidity. The problem transpired to be insolvency but the guarantee would not have been extended to all the institutions if the Government had done its homework. That is why we are facing our current difficulties.

I agree with the Minister of State, Deputy Brian Hayes, that the level of private and public debt is unsustainable. We need a deal and every effort is being made by the Government through the diplomatic corps and at a political level to secure that deal. The critical timeframe for the promissory note and the Anglo Irish Bank debt is the first quarter of next year but shortly thereafter we also need a deal on assistance towards the cost incurred by the State. Our banks may not be functioning well but they have been recapitalised. We need some acknowledgement of the hit we took for the eurozone team. I hope the Government is conscious of that timeframe.

*6 o'clock*

I confess to oscillating on occasion between despair and optimism in terms of where we are going. This is understandable, given the roller coaster we have been on in recent years. My colleague, Deputy Harrington, referred to the fact that some 250,000 jobs in the private sector were lost between 2008 and 2011. All of the associated human carnage inflicted on families the length and breadth of the country constitutes a severe body blow, but allied to this is the debt associated with bank recapitalisation and we have some notion of the extent of the challenge confronting us. This challenge is unprecedented, even in the context of the challenges faced by those who founded the State. The economic challenge facing us is unprecedented in our history.

There are indications that we are turning the corner. In 2011 some 16,000 additional

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people were working in the private sector. In the context of public services, it is important to remember that the engine that drives the economy is the private sector. It pays to enable the State to deliver public services. We need to get the economy working in order that private sector companies can respond, create jobs and wealth and pay taxes, which taxes may be invested prudently in public services such as education, health and social welfare, etc., which are critical to a normal functioning democracy.

There are signals that we are recovering. In 2011 some 6,000 foreign direct investment jobs were announced by IDA Ireland for the first half of 2012. Such announcements are an indication that we are recovering internationally and that we are regaining the confidence of outside investors. However, because of the nature of the economy, we need the international market to pick up also. This is an exporting economy and we need export markets. Therefore, the health of the eurozone in recovery is critical.

I see a critical road block for Government investment in job creation in the construction sector owing to the dormant status of the industry. Most people associate the construction industry with housebuilding, but that is in the past. The industry will never recover its position. However, Governments also provide for critical investment in industrial infrastructure such as advance factories. In key areas of the country such as Limerick, Waterford, Galway and Cork city there is very little, if any, industrial infrastructure available for showcasing to attract foreign direct investment. It is in this area that NAMA needs to recapitalise the construction industry. It needs to provide working capital to enable this to happen and allow the industry to get on with providing the necessary infrastructure in order that IDA Ireland can market these locations as being suitable for inward investment. Amber, if not red, lights should be flashing in the Department of Jobs, Enterprise and Innovation and the Department of Finance in this regard in the context of NAMA and job creation. We are sleepwalking into a difficulty that needs to be addressed urgently.

With regard to the reform agenda, I am not happy with the pace of reform. We had a welcome announcement last week in the context of reform of local government. However, reform needs to be embraced by all Departments. One area in which reform is crucial to the recovery of the country is the education system. We need to be much more ambitious with regard to the subject choices we offer in schools, primary schools and teaching of languages and post-primary schools and the teaching of the sciences. We need to look at the roll-out of educational infrastructure, particularly in provincial areas in which we have a number of schools building little empires, when instead the Department should be driving a programme of amalgamations, providing for greater subject choice and much improved school infrastructure. It should be more proactive in this regard.

I wish to address an issue that is causing significant difficulty in provincial Ireland, namely, social welfare fraud. An employer came to my constituency office last Friday and related a story to me which does not involve an isolated case. I do not want to use it to undermine the bona fides of unemployed persons, for whom the current rates of payment offer no bed of roses and who want to get back into the workforce as quickly as possible. However, we must tackle this problem in order to be able to make adequate provisions. In this context, I have questions about the current rates of payment for the unemployed. Take, for example, a married couple with two dependent children who receive €370 a week in jobseeker's allowance. There is no comfort in this. However, the State's capacity to improve these rates is being undermined by individuals such as the person involved in the circumstances related to me in my office. An employer offered a job to a young man who worked with him for one week from 9 a.m. to 5

p.m. daily. The employer paid him on the Friday evening and explained that because he had a contract to complete, he would like him to work on the Saturday. He responded by saying he would not come in on the Saturday and that because the working hours did not suit him, he would not continue in the job. He left and signed on the following Tuesday. Unless we get serious about eliminating such attitudes, we will not be in a position to address the needs of bona fide individuals who are stuck on an inadequate rate of unemployment assistance. I make a comparison with the married couple with two dependent children who probably have a number of household commitments to meet such as a mortgage, loans, etc. This couple receives €370. A retired couple receives €440 by way of the State non-contributory pension. It is critical to our recovery that we address social welfare fraud and I urge the Minister for Social Protection to take a much more aggressive approach in dealing with it.

I will conclude with a comment on the back to education allowance. The principle of progression stymies many who see a pathway back to work. I have come across a case in my constituency office on which I am arguing with Department of Social Protection. It involves a nurse who has no computer skills but who can obtain a job as a GP practice nurse if she can improve her skills. However, because the FETAC level 5 course she proposes to undertake to improve her skills is not considered to provide for progression in terms of her nursing career qualifications, she is being told she cannot do it and must go back on jobseeker's allowance. As a consequence, she will not get back into the workforce. We need to see the back to education allowance as a pathway back to work and if an application to participate in training makes sense, it should be approved. The payment is the same whether the person is in receipt of a social welfare payment and at least the person concerned would be improving his or her skills. I appeal to the Minister to take this point on board.

**Deputy Brian Stanley:** The policies being pursued by the Government have failed utterly to date. The previous Government brought us into the ice age economically and sold out on our economic sovereignty in the process. The Government is squandering any hope of change people had prior to the general election last year. The programme for Government promised a lot and proclaimed a democratic revolution had taken place, but we have since had a rise in the levels of unemployment and child poverty, while businesses are struggling to survive. We certainly have not seen a revolution. The programme for Government agreed to by Fine Gael and the Labour Party promised much on jobs, a commitment to developing a universal single tier health system and the elimination of poverty. However, keeping these promises is another day's work. One of the promises that was kept was to slavishly support the objectives of the so-called EU-IMF programme of support. We are as much and more slaves to the troika now than we were in February 2011 under the previous Government.

Unfortunately, we have many indicators of how life has deteriorated for ordinary people in the past 19 months. Since the Government came to power, unemployment has continued to rise and is at a staggering 435,200, according to the September figures. This does not include up to 100,000 people who have emigrated since 2008 or those who are not entitled to sign on. We all know such persons who are unemployed and would like to work, but who cannot sign on.

The health care system limps along from crisis to crisis. Recently we had the scandal of stroke politics in the system in the context of primary health care centres. It had all the hallmarks of the practices of the previous Government. The Labour Party tells us repeatedly why it is in government, but this instance shows us that it is either incapable or unwilling to stand up against the use of such tactics. Unfortunately, the Tánaiste sacrificed one of his Ministers of State, rather than challenge the Fine Gael Minister for Health on the matter. Some 706,371

people now live in poverty. A staggering 19.5% of children live in poverty, which is worse. The number of children living in poverty - approximately 200,000 - has increased by approximately 35,000 in the past three years. Last year's Labour Party manifesto declared that in government, the party would adopt a new and radical area-based approach to tackling child poverty. We have not seen that. It would be an understatement to say the Labour Party has not had an effect in this area. Its presence in government has been a failure. The myth that Fine Gael is good for business simply does not stand up. New lending to small and medium sized enterprises amounted to just €407 million in the first quarter of 2012. That represents a reduction of 29.6% on the fourth quarter of 2011 and a reduction of €700 million on the fourth quarter of 2010.

Time and time again, we have heard ridiculous comments from the Government benches and more recently from Fianna Fáil to the effect that Sinn Féin is devoid of solutions. We do not pretend to have all the answers. I will use the rest of the time available to me to offer a few solutions. I hope we can debate them and learn from each other. Last week, Sinn Féin launched its jobs plan, Create Jobs - Create Growth. Although it is ambitious, it is based on reality. Every euro has been costed on the basis of information from Departments. Sinn Féin is proposing almost €13 billion in additional investment over a period of four years.

Our plan for economic growth has the potential to create 156,000 jobs and to retain 15,000 existing jobs. It would be funded by €5.8 billion in discretionary moneys from the National Pensions Reserve Fund. It is worth noting that there was €23.2 billion in the fund in February 2011. Some €1.53 billion would be borrowed from the European Investment Bank. That is the only outside borrowing part of this package. Some €3 billion would come from incentivised investments from the private pensions sector. I will speak later about how that would be repaid. Sinn Féin would not cut €2.6 billion from the capital budget as the Government is proposing to do. We will expand on that when we publish our budgetary proposals as we have in previous years. We have costed this. Under our jobs plan, we will invest in essential infrastructure.

I listened carefully to what Deputy Creed said. I identified with what he said about house-building. I agree that there will have to be a different approach to the construction industry. We have to invest in essential infrastructure that will create jobs, improve competitiveness and help kick-start the economy. We should focus on areas like renewable energy, eco-tourism, agriculture and rural development. The renewable energy sector and the green economy were neglected during the boom years, unfortunately. We are committed to investing €800 million in wind energy. We will introduce reforms to reduce the lead-in time needed for projects. We will mandate the ESB to develop offshore wind generation over a five-year period. It is estimated that the alternative energy industry has the potential to create 50,000 jobs over a 15-year period. We strongly believe renewable energy must have a State foothold. We must ensure that wind energy projects are built in full consultation with local communities.

Sinn Féin would invest €500 million in this country's crumbling water infrastructure, with a particular focus on losses from reservoirs and the distribution network. The NewERA document that was produced by the Government committed to an investment of €4.2 billion as part of an upgrade of Ireland's water infrastructure. It pointed out that Ireland spends €700 million each year on the production of clean drinking water. Approximately 40% of that water is wasted through leaks from the water system, unfortunately. The investment we propose would assist local councils in their ongoing attempts to protect and upgrade the water supply and to conserve water.

We are committed to investing €5 billion in retrofitting this country's housing stock. Some

1.4 million houses and 130,000 non-residential buildings in Ireland need insulation retrofits. We have a very poor record in this regard. According to the Institute of International and European Affairs, an investment of approximately €14 billion would be required to bring this country's residential housing stock to an average building energy rating of C1. That is required if we are to have any kind of reasonable standard. According to the institute's figures, an investment of €10,000 in each house is required. Given that the average household would save €1,496 per annum, it is clear that the necessary expenditure could be incentivised. It is obvious that the savings would be repaid into the pension funds. Critically, this work would help Ireland to reach its 20% efficiency target by 2020. One of the benefits of this approach is that it would allow us to reduce the amount of fuel we import every year.

I have outlined some solutions in the few minutes available to me. I agree that the old policies have failed and the old approaches have not worked. We need to have new thinking. The response to this huge problem needs to be proportionate. Sinn Féin is concerned that the current response is not in proportion to the scale of the problem. We must get people off the dole and back to work. Every person who is not working is costing us €20,000. An unemployed person could be paying €10,000 in revenue to the State if he or she were working. We must turn around the wheel. We are committed to proposing ideas to that end. We must work to do that.

**Deputy Colm Keaveney:** In February 2011 the Government inherited a country that had been placed in the pawn shop after a decade and a half of reckless economic and fiscal mismanagement. In the light of the presence of my colleagues in the Chamber, I do not want my speech to become an attack on Fianna Fáil or on any of its coalition partners. I simply want to state some facts. The weakness and incompetence of the last Government, under the pressure of the European institutions, brought the liabilities of failed private banks onto the shoulders of the ordinary people of this country. A previous Government had narrowed the tax base to the extent that the fiscal consequences of an economic downturn would be catastrophic. The massive increase in Government spending was not based on sustainable economic or fiscal propriety, but on the once-off proceeds of the property boom, which has left thousands of people burdened with debt and in crisis. Difficult issues were not resolved by reform, but by throwing money at them. Radical reform in welfare, education and health should have been done when we were in a time of plenty. That was simply not done. The Government is responsible for implementing such reforms at a time when resources are scarce. We have to get on with the job.

While I agree to some extent with what Deputy Stanley has said, it must be accepted that a disaster which took 15 years to create will not be resolved in 20 months. It will probably take the lifetime of the Government to resolve 15 years of economic mismanagement and the vandalism of our country. There is a deceit in the simple assertion we often hear from the Opposition benches about burning the bondholders and taxing the wealthy. It simply will not happen that way. It is misleading people to suggest that is a genuine message. In its own right, the bank debt is not our greatest problem in some ways. As I mentioned earlier, under a previous Administration the tax base was narrowed and spending was recklessly increased. When the crash came, we were left with a large gap between taxes collected and moneys spent. If the bank debt issue could be removed entirely, we would continue to face a crisis in this country, namely, the fiscal gap between what we take in and what we spend. Every day, we borrow more than €40 million to fund essential services and to keep our schools, hospitals, welfare, policing and general public services running.

Perhaps we should consider the example of a European country that has burned its bondholders - Greece, which applied a 50% haircut to its bonds. I invite Deputies to reflect on a

report on this matter in the *Financial Times* of 18 October last, which states:

Greece's top security official said he was determined to crack down on an alarming rise in rightwing violence .... (He) admitted that some individual officers may be sympathetic to the neo-fascist Golden Dawn party, which has been blamed for much of the violence and won a surprising 7 per cent of the vote in June elections .... (His) comments came amid concern about a string of assaults by rightwing thugs on immigrants and leftwing opponents, and accusations that Greek police were either sympathetic or acting in collusion [with the fascists]. .... As in the rest of the Greek public sector, police numbers are being reduced. Fewer than half of country's 52,000 officers earn more than €1,000 per month and they are facing further pay cuts [as a consequence of the burning of the bondholders].

There have been reports in the Italian media in recent weeks suggesting Greek women are engaging in prostitution in Italian cities to feed their children in Greece.

The Government inherited a situation where private bank debt was effectively turned into sovereign debt in order that any default would be seen as a default on sovereign debt and treated as such. Any idea that we could have defaulted without consequences is wishful thinking or worse and those who express this view are deliberately misleading the public. We would have moved from being reliant on a moneylender who would have imposed conditions through dialogue to the situation similar to that in Greece where conditions would have been imposed on us by threat of the denial of critical funding. We could, of course, have freed ourselves from any need to borrow by closing the deficit immediately though making radical cuts and providing for massive increases in tax. The consequences of this would have been horrific for low income households and those in receipt of welfare payments. There is no doubt that middle class incomes would have been demolished and a mortgage crisis would have infested our society.

The Government found the ship sinking and had to make choices about which aspects of the ship it should save. We chose to reverse the cuts to the minimum rates of pay, thus raising the incomes of the vulnerable in society by €40 a week, which is significant when one is struggling to put money into a purse to bring a child to a doctor. We removed the very low paid from the universal social charge net and have protected, where possible, core social welfare payments. While there are some issues with the JobBridge scheme and, like all schemes, should be subject to critical analysis, it has to be acknowledged that 60% of the participants have managed to secure full-time employment.

We are working hard to encourage inward investment and secure employment for the people. Central to this is the restoration of Ireland's reputation and credibility as a place in which to do business and where we honour our debts. Investment and the creation of employment will do most to get us through this difficult time. Central to restoring our reputation and giving confidence to those who might want to invest here is the issue of trust. The Government has sought to address the issue of the bank debt by engaging in careful diplomacy and has made significant progress, however maddeningly slow it has been. I appreciate that we have been waiting a long time for a resolution, but this country will be given a deal.

While others may not be in a position to say it, the debt is unsustainable. I understand why the Taoiseach and the Tánaiste do not say this. They are sending a signal about the critically important foreign direct investment and the way we would like to conduct business. We need to enhance our reputation by encouraging trust and confidence in a way that will secure that investment. There is no easy way of doing it. We have to proceed by way of patient diplomacy,

not knee-jerk reactions. This, with the progress we have made in addressing the fiscal position, has been evidenced by the fall in our bond yields in excess of the fall in the yield for other EU member states.

There are issues we need to address with regard to the burden imposed in the fiscal adjustment. The only consequence for me, as a well paid civil servant - I must be honest - is that I am €100 worse off as a result of the household charge and €5 worse off as a result of the septic tank charge. The CSO survey clearly indicates the gap between those who have and those who do not. The Government and all of us who sit on this and the other side of the House should show caution on the growing gap and the potential consequences in terms of social unrest in the country. There are many in the middle classes who are being squeezed by increased charges, wage stagnation, debt payments and increased costs. They represent the core of our society and economy and, when the fiscal position improves, we must focus reliefs on those who have carried the burden of recovery. It is the spending power of the middle classes that will help the economy to recover. The budget must address the proportion of the burden of fiscal correction on those who have high earnings and a capacity to pay. The budget will not be accepted by the citizens if social justice does not feature. The issue of tax exiles must be addressed. How can people who avoid paying tax in this country, in a just society, allow their families to benefit from publicly funded services such as schools, roads, hospitals and so on? How can we find that the financial consequences of a budget for those on higher earnings have sheltered them in many ways from the effects of the cuts in services? We have to address this issue in the budget. We see powerful groups such as consultants refusing point blank to engage with the State on playing their role in addressing the crisis. The Government needs to address this challenge and take whatever legislative action is necessary in order to force these changes.

There is light at the end of the tunnel and I am confident we will emerge from the crisis. However, we must ensure those most in need have the protection of the State. We must ensure recovery, when it comes, will keep the economy and society intact. Most of all, we must ensure the concept of social justice will not be sacrificed for expediency or the lack of participation of powerful vested interest groups in society.

**Deputy Éamon Ó Cuív:** I have the height of respect for Deputy Colm Keaveney most of the time. However, the constant mantra from the Government parties which obviously comes from a survey or an opinion poll of views and is based on an easy narrative that it was all foreseeable and so easy to figure out and that Fianna Fáil was solely responsible for what happened is given the lie by an analysis of the policies brought forward by Fine Gael and the Labour Party in opposition, when they had access to the exact same information and all the time they were calling for more and more expenditure. At no time did they seek more taxes such as, for example, a property tax. In fact, if one looks at the manifestos of both parties in 2007, one will see clearly that they were calling for "More of the same. We are not hitting the wall." That is the reality. As the Minister of State, Deputy Brian Hayes, knows, now that he is in government, nothing goes to the Cabinet in terms of economic information that is not available publicly either before or very shortly afterwards. Therefore, to say we had knowledge of a lot of things to which the rest of the country was blind is just not true. I say this not because I am particularly interested in raking over what happened in the past because I am happy I always acted in good faith as a Minister and my conscience is absolutely clear; rather I say it because, if we want to solve the problems of today, we have to understand the collective problem that arose in the past.

Deputy Colm Keaveney said we should not have taken on the bank debt. I have to give credit to the Taoiseach who was honest enough to admit that there was no choice but to do so for

three fundamental reasons. The first was that the European Union would not accept a burning of bondholders. The second is they would have taken us to court. The third is that if we had done so unilaterally, it would have closed every bank in the country. It is a simple, mathematical, absolute certainty. We would have burned deposit holders all across the country because the entire banking system would have collapsed. I agree with the Government, although it is well known that I would have approached matters in a slightly different way, that we must have the bank issue resolved. That is why there are promissory notes, rather than bonds or other such measures. That was always part of our long-term plan. I will go further and say there is a moral obligation on the German, French and other banks that lent to this country to accept at least half of the liability created. If I lent to a person, he or she lent on and the middle person was not get paid, the person who gave the initial loan could not expect to get his or her money back.

I can understand the fear in Europe if one were to let rip on bondholders. One must allow for the fact that much of the money in bonds, again, contrary to the illusion created that it all belongs to Goldman Sachs, mainly belongs to ordinary people in life insurance and pension funds. Therefore, I can understand why an unscrambling of the bonds is a problem. It is much more important for us to say that no matter how we arrived where we are, we have huge challenges to face and they are getting worse. I was interested to hear Deputy Colm Keaveney say we should now try to burn bondholders such as was done by Greece. One of the interesting issues one would have to examine in the context of burning sovereign bonds is that there has been a nationalisation of bondholdings and that where one year ago 18% of them were owned within the country, the current statistic is that 28% of sovereign bonds are now owned by Irish interests, according to the National Treasury Management Agency. Therefore, if one were to go to burn them, one would be burning a lot of people one did not intend to burn.

**Deputy Colm Keaveney:** That is not what I said.

**Deputy Éamon Ó Cuív:** Therefore, while we must reduce the debt, it cannot be done unilaterally; rather, it must be done in a structured way. I am insistent that it would not be a case of a hand-out or favour from the European Union. Countries in Europe would take their share of the reckless actions of their banks which lent to our banks. Money came into this country, some of it through the banks that were covered by the regulator, but a lot of it also came in through banks that were regulated abroad.

We have a huge problem. The amount borrowed by this country in the first nine months of 2012 amounted to a deficit of €11 billion. Interest associated with the sovereign debt has nothing to do with the banks. The money associated with bank debt amounts to €1.7 billion. We have borrowed €10 billion in nine months and one can estimate that it will be €12 billion by the end of the year, minus bank-related funds. We must close the gap to about €4 billion and have €8 billion to go. One cannot do this by raising extra taxation and making cutbacks. A reasonable part must be achieved by generating growth in the economy. We must have a clear way forward in order to generate growth. We must create confidence that the problem can be solved and explain to people the quantum of extra taxation we must raise, the size of the cutbacks we will have to make and how much we are expecting to gain through growth. The big problem with the plan we have entered into concerns the total lack of growth. The economy is stagnating because of what is being done to depress people's confidence in the future, as well as consumer confidence. All of the rumours about the budget and the way we do our business creates uncertainty. We tabled a Private Members' motion tonight on the uncertainty created about the cost of employment to the tune of €89 million. Many other uncertainties are being created.

It is time for us to reform how we do our business and move away from the crazy budget ritual in which we engage. In the old days at least the budget ritual did not continue in the way it does currently. From the time I came into this House until less than ten years ago the way the budget was produced was that we published the expenditure Estimates first and then the budget dealt with taxation issues and some minor expenditure items on the day of the budget. Now we have five months of uncertainty that depresses activity in the economy because it is all done in a big-bang way. I do not wish to return to the old way of doing things; what I would like to see the Government doing is deciding early on the final figures and then in an open way going through the choices Department by Department. Rather than playing games with leaks, we must openly discuss the choices, try to achieve consensus on them and agreement on how the budget should be framed. We must involve the House in what the Cabinet does behind closed doors in order that we work towards consensus. If we did this, there would be much more confidence in what we are doing and if we have confidence, we will have activity and investment and the tax take will increase. If that were to be the case, without putting up taxes or making cutbacks, the gap would begin to close, as happened in the late 1980s and 1990s, which would create a virtuous circle that would solve the problem. The reality of the way we are proceeding, with the depressed air we are creating around the country, is that the hole is just getting deeper and deeper. Even if someone were to wipe away the entire bank debt in one fell swoop, we would still not be able to handle the rest of the debt because, as I indicated based on the figures, we are still spending more than we are earning. There is only way one to ultimately resolve the issue, that is, to create more wealth and more tax revenue.

**Minister for Social Protection (Deputy Joan Burton):** Since taking office the Government has made significant progress in restoring sustainability to the public finances. We have worked hard to build a new and sustainable economic model for the country from the ashes of Fianna Fáil's debt-fuelled property bubble that we inherited. In recent weeks and in the past six months we have been heartened by the new jobs announcements. Announcements by the Kerry Group and Paddy Power are a clear statement of confidence in the economy and a strong signal that Ireland is a good place in which to invest and grow businesses. That is particularly striking in terms of foreign-direct investment, especially potential investment from the United States. The United States sees potential, as well as being aware of the crisis and crash that has occurred. While that is good news for all of us, big challenges remain, of which, undoubtedly, the most significant are the difficulties presented by employment and unemployment challenges. Last week with the Taoiseach and the Minister of State, Deputy Perry, I attended the launch of the first Intreo centre in Sligo, which was an important step on the road to changing the Department of Social Protection and stepping on the road to recovery. It is one of the central elements of the Government's twin track approach to increasing employment and reducing unemployment, involving the Action Plan for Jobs and the Pathways to Work initiative. The Action Plan for Jobs is tasked with creating new jobs; the priority in Pathways to Work is to ensure new employment opportunities go to people currently on the live register who will then have an opportunity to pitch for whatever jobs become available. If an employer in Sligo has three jobs, the local Intreo office will be able to offer that employer suitably qualified and interested people at whatever level the jobs require. We must rebuild these connections on a local basis with employers.

Intreo offers a new service that provides better and more efficient advice for people who are unemployed in order that they will be enabled to get back to work as quickly as possible and receive the supports they need to become job-ready. It is a new approach to engaging with people who are unemployed. We have taken into account international best practice to ensure we offer the best service possible. In the past the service in Ireland could have been character-

ised as passive and a benefits-based approach to supporting job seekers. Intreo offers a much more active and targeted approach which is focused on the person becoming activated and on mutual responsibility. The taxpayer is supporting the individual because he or she has become unemployed, but the individual has a corresponding obligation to the taxpayer and the citizens who offer income support in order that they can engage and do their best to get back into work.

Employer support and engagement with the service are critical to Intreo. The Department of Social Protection intends to work closely with employers to support them with their employment needs and provide access to the financial supports available to help them to grow their workforce. To date in 2012, our Jobs Ireland service has advertised over 50,000 job opportunities, representing a diverse range of industry sectors and occupations. It is interesting that last year 140,000 people left the live register to get work. Those involved in employment will know that people often get work for a period and then return to the live register - there is a turnover. However, 140,000 people left the live register, not to emigrate but to find work in Ireland. We have to ensure people on the live register have the maximum opportunity to fill vacancies.

Employers have found the service useful. We want to work closely with them to develop and enhance the services provided in order to ensure they reflect the needs of business communities. We want to ensure employment opportunities are offered to people who are currently on the live register. The employer job (PRSI) incentive scheme which exempts employers from liability to pay their share of PRSI for certain employees for 12 months, was extended into 2012 and to cover the first 18 months of employment, as part of a range of supports aimed at assisting employers in providing employment opportunities for unemployed persons. In order to promote these services, build links with employers and find out from them what they would like from the Intreo service, I am hosting a series of seven business briefings around the country. These briefings started last week in Limerick. It will take time to build up employer confidence in our services, but I am confident that we will succeed. In JobBridge we have had the very satisfactory experience, with the 5,000 places made available, of having almost 11,000 people take part, with 5,000 completing the programme and 5,000 still taking part.

A survey and examination has been conducted by Indecon. One of the experiences I have found as Minister is that one receives surveys from bodies such as the ESRI that offer critical examinations. However, these have been based on work done three or four years earlier when the employment market was different. It is interesting that many people who have participated in the JobBridge programme have gone on to find work with the same or another employer, which is what the programme is about. Most of the people who avail of the opportunity have been in the 25-35 year age category, but the placement rate has been highly satisfactory. The programme is not for everybody: it is a specific programme for those who benefit from an internship opportunity.

I refer to stimulating the domestic economy. While the foreign direct investment and exporting sectors of the economy are witnessing very strong and sustained growth, this is not the case for the domestic sector. That is why the Government has directed so many of its efforts at stimulating domestic demand, including the measures included in the jobs initiative that have lifted the tourism sector and the recent stimulus package that will deliver significant investments in labour intensive infrastructural projects. We are spending a lot of money building and developing schools which is very important because it will provide localised employment in badly needed, small-scale construction projects. We must go further, however, and focus, in particular, on the implementation of policies that assist domestic demand, including making credit more widely available for SMEs by ensuring the pillar banks meet their lending targets.

It is interesting that the policy that ranked highest in the US Congressional Budget Office's evaluation of the 2009 Obama stimulus package was the one on the extension of the duration of unemployment insurance. The reason was that the money was all spent in the domestic economy. This analysis echoes something by which I have been struck since I became Minister for Social Protection. Welfare expenditure acts as what economists often call a Keynesian "automatic stabiliser". This means it acts in a counter-cyclical manner to support the domestic economy by putting money into the hands of consumers and thus into the tills of businesses, many of which are small and medium-sized. That is the reason many American economists, for example, Joseph Stiglitz, write very favourably about the European model of having strong social welfare and income supports because they enable the spend in the domestic economy which keeps local businesses, large and small, at work.

The Department of Social Protection makes approximately €20 billion in payments to beneficiaries. Most of the €188 paid per week to a recipient of jobseeker's allowance is spent in the economy. If we consider pensioners, almost all of their money is spent in the economy. We must ask ourselves what is the impact of social welfare payments on domestic business. It is very strong. This is the case, even though not all of the welfare spend is targeted as effectively as it could be, a point I accept. Last night I indicated to the House how astonished I was to find, as Minister, that 300,000 people, or 16% of the working age adult population in Ireland, were in receipt of an illness, disability or invalidity pension. That is a very high number of people in the labour force who are in receipt of such a payment, compared to the number in most other countries. We have to think about this and about how we can help more of those involved who have an illness and recovered to get back to work. These are the social welfare problems everybody in the House must consider. We have to reform the system of welfare to make it more effective and ensure it does not act as a disincentive to employment or promote welfare dependency. Its central aim must be to engage with people to help them out of dependency on a social welfare income to become independent and financially self-supporting. If they cannot get a job in the current jobs market, which is difficult, it must help them back into education and training.

We want to move away from an economy that was based on a bubble in construction to one that is real. The level of construction is too low. We have fallen from the height where some 25% of the domestic economy was dependent on construction to a point where the level of dependence is way below 10%. The norm in this regard for most modern economies would be 12% or 13%. That is why the building of schools which leads to the creation of local employment is so vital for a recovering Irish economy.

**Acting Chairman (Deputy Robert Troy):** The next speaker is Deputy Clare Daly. I understand she is sharing time with Deputy Maureen O'Sullivan.

**Deputy Clare Daly:** Having listened to the Minister, I am torn between laughing and crying. The idea of helping the unemployed to fulfil their responsibilities and ensuring they are not so dependent on the welfare state is so ridiculous that it really does not bear thinking about. Many of the people to whom the Minister refers have worked for most of their lives. What they need are new jobs. There cannot be economic recovery without jobs and therein lies the problem for the Government. The greatest indictment of the Administration is that there are fewer people at work now than there were when it took office 20 months ago. The Minister can waffle on all she likes about all the programmes with fancy names for which her Department has responsibility. The reality is, however, that even though 5,000 people may have gone through the JobBridge scheme, not too many of them obtained employment at the end of their involvement with it. The scheme has been unmasked as nothing more than a cheap labour scam from which

only a couple of hundred people benefited by obtaining full-time employment.

In recent months we have witnessed an assault on the idea of the permanent pensionable job, which is becoming something of which people are almost ashamed. That is another mark of the record of the Government, which has facilitated a race to the bottom. Everyone is aware that these are difficult times. That is obvious, but the point which is being missed is that there is an alternative. The difficult choices which are being foisted on people are actually been foisted on those at the bottom. As a direct result of the Government's policies, those in the bottom 10% of the population have experienced a 26% reduction in their incomes, while the wealth of those at the top has increased by 8%.

A vicious campaign has been carried out against public sector workers - supposedly the root of all evil - by Independent Newspapers and others. We saw the reality of what was actually happening earlier today, when teachers protested outside Leinster House. Those who are now commencing their careers in teaching are going to be paid approximately €100 more than those on the minimum wage. Those to whom I refer currently receive a handful of hours' worth of teaching each week. They hang around schools in the hope someone will get sick in order that they might get jobs. The people concerned cannot claim social welfare because they are working every day and cannot apply for family income supplement, FIS, because they are not working 19 hours a week. The Government's answer is that it is not possible to change the computer system in order to accommodate them.

The Government is presiding over a policy that involves upside-down economics. In other words, it is doing the opposite of what should be done. The opportunity is being taken to reverse the State welfare benefits that were fought for and developed over decades. There has been a great deal of discussion about competitiveness and wages. However, wages only account for 2% of the measure of competitiveness. In fact, wages are not the problem at all. The Government's approach in this regard was summed up in an e-mail I received from the Minister for Jobs, Enterprise and Innovation inviting me to the official opening of a 24 hour McDonald's restaurant in Swords. Does the Government ever intend to get real? Any value that will result from the creation of jobs at this restaurant will be completely wiped out by the drain on the health service to which the consequent increase in obesity levels will give rise.

The Government should accept that hanging on to the coat-tails of the private sector is not delivering and should reverse its policy in this regard. I would not expect anything more of Fine Gael. For the Labour Party, however, what is happening is an absolute embarrassment. Has the penny not dropped that the private sector cannot deliver any more and that the only way to turn matters around is by putting in place a State-led stimulus package of socially necessary work? The work to which I refer needs to be done and if it were, it could make Ireland a better place. On each occasion we have raised this matter, the Government has asked from where we would get the money. The Administration has no difficulty in borrowing money in order to pay unsecured bondholders and a banking debt that has nothing to do with ordinary people. Why can it not seek funds from the European Investment Bank and invest them in Electric Ireland - formerly the ESB - which has a tremendous track record as a powerful semi-State company? The company could then use this money to develop the tremendous potential in our wave and wind energy resources and make Ireland a world leader in energy generation. What we should be doing is promoting the type of pioneering spirit that marked the Ardnacrusha project which was completed during the ESB's early years. The projects to which I refer are instead being given to private companies, many of which have former Labour Party people on their boards. These companies stand to make billions. Unless we take the lead, borrow money from the Eu-

ropean Investment Bank and use by means of incentives some of the funds from private pension schemes or those invested in credit unions to finance job creation measures, all that will happen is that Ministers will run around opening 24 hour McDonald's restaurants and make an absolute laughing stock of themselves.

**Deputy Maureen O'Sullivan:** I attended the pre-budget briefing given by the community and voluntary sector yesterday in the audio-visual room, at which it was suggested the first question we should ask was where we would like the country to be ten years from now. In conjunction with this, we should consider what are the core values by which we should be guided when we are examining matters relating to the budget. I accept that we are in a recession, that times are difficult and that we are spending more than we are taking in. There is no doubt that the money which was available during the good years was squandered. Huge amounts of money were wasted on a long list of projects - those relating to a particular prison, the national children's hospital, the purchase of e-voting machines, the development of transport infrastructure, etc. - which never came to fruition. I will not even mention the money that has been wasted on the bondholders.

Our discussions on the economy are usually dominated by figures and percentages relating to GDP and so on. In reality, the economy is people. There is no doubt that the recession is having a disproportionate effect on people in certain sections of society. However, there are others for whom life goes on as usual. This is because they have not been unduly affected by what has happened. Statistics show that the poorest people took the largest hits in last December's budget. A recent survey carried out by the Irish League of Credit Unions of this matter makes for grim reading. Nobody wants to be obliged to accept cuts, but there are those who can afford to do so. If 10% is taken off a salary of €200,000, it is a mere dent. If, however, it is taken off a salary of €20,000, the impact is massive. Social and equality audits are required of all budgetary measures in order that we might gauge their potential impact.

No one wants to see a recurrence of the all-night protest by people in wheelchairs which took place outside Leinster Houses some time ago. People with physical or mental disabilities or both should never be obliged to fear the additional stress that can be caused by the introduction of a budget. These individuals should feel confident that regardless of which group is in power and of the economic circumstances that obtain, they - the most vulnerable in society - will be protected. Some of those to whom I refer have had enough and cannot survive further cuts.

There is a kind of sacred cow in this country which we know as corporation tax. The rate of this tax, 12.5%, is low, but we do not even collect this. It is difficult to obtain information on the actual amounts collected. Transparency International has carried out a study which indicates that the world's biggest companies need to be a great deal more transparent. Transparency International reviewed 105 of the largest companies across the globe - 61 of which are based in Ireland - and only one indicated the amount it paid in corporation tax. In a report it compiled recently the Council of Europe called for an appropriate policy on tax havens. This is because member states are losing billions each year as a result of the tax avoidance, evasion and fraud facilitated by the offshore financial system. This massive tax cheating on the part of wealthy individuals and enterprises is penalising ordinary taxpayers, affecting public finances and reducing the level of social spending. It is also a major threat to good governance.

I acknowledge the work done by Christian Aid and TASC in their report on tax injustice. Tax dodging and tax injustice are global issues and have an impact on people everywhere. The

report to which I refer indicates that the consequences of tax dodging for ordinary people - whether they live in Dublin, Darfur, Letterkenny or Lesotho - are real. Every euro or dollar in tax that is dodged by an individual or a corporation must be replaced by governments and this is done by either increasing taxes on ordinary people or cutting public services. Will adding an extra 1% or 2% to our corporation tax rate lead to multinational companies fleeing Ireland? Some of these companies have openly stated it is not primarily our corporation tax rate which led them to establish operations here but rather that the attractions of our educated workforce, climate and stability. I hope that, at the very least, we will collect 12.5% in corporation tax from the multinationals.

There must be country-by-country reporting and there must also be fair policies and transfer pricing in order to reduce the opportunities for multinational businesses to manipulate the reporting of profits and taxes due. We could start the ball rolling in this regard and lead by example in this matter. However, we are not giving good example. I am totally committed to our overseas aid budget, but it is somewhat ironic that we are giving this money which is badly needed to other countries through Irish Aid and we are not vocal on the tax injustice relating to countries in the global south. We are not vocal in this regard because we allow tax injustice to be perpetrated in this country.

If the Government is committed to fairness, its policies must reflect this. We must employ the principle that the more one earns, the more one should pay. A fairer tax system is, therefore, vital. Our total tax take is the lowest among countries in the developed world. Broadening the tax base fairly and eliminating those tax breaks and reliefs which mostly benefit the better off is the way to proceed. The tax breaks and reliefs to which I refer reduce the tax bills of high earners who get more money at the expense of ordinary citizens who endure austerity. I agree with TASC's call to the effect that all tax breaks should be subject to a cost-benefit analysis. I agree that all tax breaks should be subject to a cost-benefit analysis and a sunset clause, which means they expire after three years, with the possibility of renewal only after a positive cost-benefit analysis has been undertaken. Section 23 tax breaks in the property sector encouraged investment, but at what cost? We must separate sovereign debt from banking debt if the country is to survive, never mind prosper.

I refer to the CSO report on children published this morning. It contains grim statistics in respect of children, households with children and the increasing risk of poverty. I note the Minister has left the House. She also missed the debate on my Topical Issue matter about community employment schemes. The cuts to schemes are disastrous for people living in inner city communities.

**Deputy Regina Doherty:** Job creation is central to Ireland's economic recovery. The programme for Government has this target at its core. I note the recent jobs announcements by Paddy Power and the Kerry Group which highlight the important role of indigenous companies in the country's economic recovery. Paddy Power and the Kerry Group could have taken their good tidings elsewhere. They are publicly traded companies and both are listed on the Stock Exchange. Their loyalties are to their shareholders rather than to the country but both chose Ireland.

The Government is absolutely focused on ensuring Irish companies are supported in every way to develop their business, increase exports, create jobs and ultimately to rebuild the economy. The first progress report on the action plan, published by the Government in April, showed that 80 of the 83 measures due for delivery across the whole of government in the first

quarter of 2012 had been implemented. The Succeed in Ireland initiative, aimed at delivering at least 5,000 jobs in five years, was launched. Enterprise Ireland also established a new division for potential exporters, targeting some 1,800 firms. The new €150 million development capital scheme, aimed at addressing a funding gap for mid-sized high growth companies, was also launched. A global second call was issued under Innovation Fund Ireland, worth more than €60 million, to target investment in high growth technology companies. A total of €20 million was allocated to a new education and training fund. Other measures delivered include the extension and simplification of the employer's PRSI exemption scheme and the enactment of the Finance Bill, giving effect to several pro-jobs measures.

By far, the most talked about problem facing small business in recent years is the lack of adequate credit facilities. We all know that access to finance is a key issue for small businesses and critical to long-term economic success. The microfinance loan fund has been designed to stimulate lending to sustainable micro-enterprises and is targeted at start-up, newly established or growing micro-enterprises across all industry sectors, employing not more than ten people. It will provide loans of up to €25,000 for commercially viable proposals that do not meet the conventional risk criteria applied by commercial banks.

Positioned in between the United States and Europe's mainland, Dublin is growing into a business hub and was ranked recently by *Forbes* magazine as one of the six best global cities regarded as hotbeds for start-up businesses and innovation. Dublin has also been recognised as the top western city in the Global Services top 100 outsourcing cities list. Banking on its surging opportunities, many big businesses have established their headquarters here. The Silicon docks area houses business giants such as Google, Facebook, LinkedIn and Twitter. The IMD *World Competitiveness Yearbook 2012* has ranked Ireland first for the availability of skilled labour. We have a rich pool of niche, specialist talent, especially in areas in which cost is not the only consideration. Testing, application development and the life sciences are key areas. Both Galway and Leixlip are centres of excellence within HP and Irish-based engineers are increasingly developing new leading edge capabilities servicing the needs of clients in the USA, China, India, Europe and Asia. We are well on the way to establishing Ireland as one of the cloud computing capitals of the world. Seven of the world's top ten cloud data centre operators are already in Ireland, including Amazon, Google and Microsoft. Last week Europe's largest tech conference was held in the RDS in Dublin.

As we mark the 25th anniversary of the IFSC, there is a renewed focus by the Government and all stakeholders on the international financial services industry in Ireland. In July 2011 the Government published its strategy for the international financial services industry which serves as a road map for targeting growth opportunities in order to support the wider economy.

*7 o'clock*

### **Tribunal of Inquiry: Motion**

**Minister for Justice and Equality (Deputy Alan Shatter):** I move:

24 October 2012

That Dáil Éireann resolves that the terms of reference contained in the Resolution passed by Dáil Éireann on 23 March, 2005 and by Seanad Éireann on 24 March, 2005, as amended by the Resolutions passed by Dáil Éireann and Seanad Éireann on 1 June, 2011, the Resolution passed by Dáil Éireann on 16 November, 2011 and by Seanad Éireann on 17 November, 2011 and the Resolutions passed by Dáil Éireann and Seanad Éireann on 23 May, 2012, pursuant to the Tribunals of Inquiry (Evidence) Acts 1921 to 2011, be further amended as follows:

1. in paragraph (I), by substituting ‘not later than 31 January, 2013 and 30 April, 2013 and, on each of those occasions, shall set out.’ for ‘not later than 9 March, 2012 setting out.’; and

2. in paragraph (IV), by substituting ‘not later than 31 July, 2013’ for ‘not later than 31 October, 2012’.

This motion proposes to amend the terms of reference of the tribunal of inquiry into suggestions of collusion by members of the Garda Síochána or other employees of the State in the murder by the Provisional IRA of RUC Chief Superintendent Harry Breen and RUC Superintendent Bob Buchanan in March 1989. This tribunal was established by the Oireachtas in 2005 and it is chaired by Judge Peter Smithwick, former President of the District Court.

The Smithwick tribunal was established arising from the Weston Park talks in 2001 and in light of Judge Peter Cory’s subsequent report on the murder of the RUC officers. Its purpose is to get at the truth of these suggestions of collusion both in the public interest and importantly, in the interest of the families who were bereaved by this dreadful atrocity.

Deputies will be aware that on 12 October, the Clerk of the Dáil received a letter from the tribunal chairman requesting an extension of the deadline for the conclusion of the tribunal’s work. The letter has been laid before both Houses of the Oireachtas.

This motion will provide for an extension of nine months - to 31 July 2013 - to the current date established for the conclusion of the tribunal’s inquiries and the submission of its final report. This is fully in line with Judge Smithwick’s request and the Government hopes the tribunal can fulfil its mandate within the revised timeframe which he has now set out.

In his recent letter the tribunal chairman states that due to the serious illness of a key witness and based on the medical advice of the witness’s doctor, the taking of evidence from that witness has had to be deferred for a period of five or six months. This witness is considered fundamental to the tribunal’s remit and the chairman indicates that he must make provision for completing his evidence when the witness is medically fit to so do. The chairman notes that due to the ill-health of this witness the taking of his evidence has already been significantly delayed.

Judge Smithwick also states that additional intelligence-based material was only recently and unexpectedly presented to the tribunal. In July and again in September of this year, the British authorities and the Police Service of Northern Ireland provided this new material to the tribunal. The chairman considers this material to be highly relevant to the work of the tribunal and that he must, therefore, investigate it and provide for hearings related to it, if need be.

It is clearly a matter of concern that significant information should emerge at such a late stage in the tribunal’s hearings. However, it is a matter for the tribunal at this stage to address the issues arising. The House will appreciate that I could not comment in detail on the mat-

ter without becoming involved in the substance of the work being carried on at the tribunal. I would note, however, that the chairman makes the point in his letter that some of this new material is currently highly sensitive and characterised as being “of the moment”. I regard it as surprising that new material of relevance to the tribunal’s work has only so recently been furnished to it, having regard to the duration of the tribunal’s engagement. It is essential that such information that exists and is of relevance to the tribunal’s terms of reference be fully made available to the tribunal and the completion of its important work and deliberations be not unnecessarily delayed. In light of the late emergence of this material, I have been assured by the British authorities that every assistance is being afforded by them to the tribunal. In addition, I have assured Judge Smithwick that I remain available to assist him in this regard if at any stage he feels this is necessary or appropriate.

The Government, having considered the tribunal chairman’s request, proposes that the Dáil resolve to extend the timeframe for the tribunal, as requested. As an additional measure and to ensure this House is kept fully abreast of the tribunal’s progress towards conclusion in this additional period, the proposal provides for two further interim reports from the tribunal to be submitted by 31 January and 31 April 2013, respectively.

I emphasise, as I have done previously, that if for any reason it does not prove possible for the tribunal to meet the timeframe set out, the chairman can report this to the Clerk of the Dáil in order that the House may consider the matter further. I reassure the House that, as the Government has demonstrated to date, its response to such an approach from the chairman would be fully cognisant of and consistent with the need for the tribunal to fulfil its obligations fully and as expeditiously as possible.

**Deputy Niall Collins:** The murder of Chief Superintendent Harry Breen and Superintendent Robert Buchanan in March 1989 was one of the many cowardly murders carried out by the Provisional IRA on the Border at that time. This was the same organisation which murdered a young couple, Robert and Maureen Hanna, and their seven year old son as they returned from a family holiday and Tom Oliver, a respected farmer from the Cooley Peninsula.

In 2001 at the Weston Park talks, the Irish and British Governments agreed that a number of controversial killings where there were suggestions of collusion by the security forces would be considered for investigation. The vast majority of these killings occurred in Northern Ireland, including the shameful murder in 1989 of the solicitor, Pat Finucane. The Governments agreed that the murders would be reviewed by retired Canadian Judge Peter Cory who subsequently recommended that inquiries be established into the murders of Pat Finucane, Robert Hamill, Rosemary Nelson and others on the basis of suspected collusion by security forces in the North. He also recommended a public inquiry into the murders of Chief Superintendent Breen and Superintendent Buchanan.

Allegations of collusion are the most serious charge that could be made against the Garda Síochána. It is regrettable that to date the British Government has not initiated a proper and public inquiry into the murder of Pat Finucane.

The Smithwick tribunal has been carrying out work on behalf of the Oireachtas since 2005. It has done a significant amount of work to date and heard evidence from approximately 200 witnesses. All Members are anxious that it concludes its work as quickly as possible. It is not acceptable that a tribunal should take ten years to complete its work, as occurred in the past. The reason the Smithwick tribunal has been delayed in reaching a conclusion is twofold. First,

an important witness has experienced an unfortunate medical condition and, second, it appears the PSNI recently furnished the tribunal with new intelligence that is relevant to its work. The Oireachtas has no option other than to grant the further extension sought by Judge Smithwick. I hope it will be the last such extension as it is imperative for the sake of the Garda Síochána and families of the murdered officers that the tribunal reports at the earliest possible opportunity.

The State would not need to spend millions of euro on the tribunal of inquiry and the families of Chief Superintendent Breen and Superintendent Buchanan would not need to wait another year to find out all the information about how their loved ones were murdered if those involved in the murders and their political representatives decided to tell the truth about what took place. Sinn Féin Members will no doubt criticise the cost of the tribunal to the taxpayer. A tribunal of inquiry would not be necessary if the Members in question got the people who killed officers Breen and Buchanan in cold blood to co-operate with Judge Smithwick. Sadly, Sinn Féin Members will not encourage those who were involved in the killings to tell the truth to the inquiry. They know that if the individuals in question answer questions about the murders of Chief Superintendent Breen and Superintendent Buchanan, they will also have to answer questions about other Irish people murdered throughout the years. For instance, they would then have to answer questions about why and who murdered the Hanna family, a mother and father and their seven year old son who were returning from a holiday in the United States. The seven year old boy was blown to pieces by the brave warriors whose political supporters sit in this House today. Sinn Féin is great at lecturing this State and my party on how children's rights were not adequately respected in the past. What respect did its member and members of the IRA have for a little boy in July 1988 when they ended his life? Why do former members of the IRA and their political representatives in this House not tell people the reason Tom Oliver, a farmer on the Cooley Peninsula, was murdered in August 1991? What does the current Sinn Féin Deputy for County Louth have to say about the murder of Mr. Oliver? Does he have any relevant information to give the Garda Síochána or Smithwick tribunal about the murder or the disappearance of Jean McConville?

It is my responsibility, as an Irish Republican, to ask these questions and it is the responsibility of the political leaders of Sinn Féin, who provided political support to the people who carried out these murders, to provide answers rather than evading their responsibilities. The Fianna Fáil Party supports the motion.

**Deputy Jonathan O'Brien:** The deadline for concluding the tribunal of inquiry chaired by Judge Smithwick has been extended several times. On each occasion the Minister has moved a motion to give effect to such an extension, none of the Deputies who contributed has sought to score points off other political parties. The contribution made by Deputy Niall Collins is unfortunate given the seriousness of the issue before us and I ask him to reflect on it.

As with previous motions, Sinn Féin will support the motion to extend the timeframe for completing the Smithwick tribunal's work. It is important the tribunal of inquiry is allowed to continue its work and consider additional information that recently came to light. The individual who is suffering from ill health must also be given an opportunity to present any evidence he may have to the tribunal. As the Minister indicated, it is proposed to extend the deadline for completion of the tribunal of inquiry's work by nine months, during which time two interim reports are to be produced. Sinn Féin welcomes this proposal and wishes Judge Smithwick well in his deliberations. We look forward to the conclusion of the tribunal of inquiry and the findings the judge will issue. Sinn Féin supports the motion.

**Deputy Catherine Murphy:** The Technical Group considers that the motion makes a reasonable request given the circumstances, including that a key witness is not available owing to a medical condition. While it is important that the tribunal of inquiry chaired by Judge Peter Smithwick completes its work as quickly as possible, it must be able to do so in a comprehensive manner, which would not be possible without interviewing the witness in question.

Notwithstanding the Technical Group's concern that the tribunal of inquiry is taking longer than is desirable, it is clear that it will be some months before the witness in question is interviewed. Will the nine month extension be sufficient to investigate fully the new information that has come to light? Has this been factored into the nine month period? It would be unfortunate if the Minister found it necessary to seek a further extension in future. As I indicated, this is a reasonable motion which the Technical Group supports.

**Minister for Justice and Equality (Deputy Alan Shatter):** I thank all those who spoke and for their support for the motion. It is very important that this tribunal completes its work. It is unfortunate that a key witness is suffering ill-health and that is delaying matters because the tribunal has been sitting for a substantial period. I am very conscious of the bereaved families of the two RUC officers who so dreadfully lost their lives. We have a duty to them to ensure that the most comprehensive inquiry is completed and that it reaches conclusions on the issues that fall within its terms of reference.

It is unfortunate that at a very late stage some new information has become available. It is important that any information that may shed light on allegations made is furnished to the tribunal but the tribunal has been sitting for some years and, as I said in my opening comments, it is a little surprising that in June of this year, and as recently as September of this year, new information has arisen.

It is in the interests of the family concerned and the public interest that Judge Smithwick is facilitated in completing his work. In answer to Deputy Catherine Murphy's query, the time-frame that is being given to the tribunal is that requested by Judge Smithwick. I am not privy to the detail of the material he has received. He has seen it and I can only assume that he believes any further work the tribunal is required to undertake based on that material will be both completed in the intervening period and will allow sufficient time for him to write his report and furnish it to both Houses.

It is important to put on the record of the House, in the light of such recent information suddenly becoming available, if there is any individual anywhere on this island or outside this island, any group on this island or outside this island or any individuals who are engaged in subversive activities on this island who have any information of any description that has not yet been furnished to this tribunal that would facilitate it undertaking the work it has been asked to undertake by this House and the other House, that information should be provided. I do not want to be in a position where the witness who is currently unwell has completed their evidence and to receive a letter perhaps in June or early July of next year from Judge Smithwick because some further new information has suddenly been furnished to him at the beginning of June of next year.

It is reasonable that any relevant information to the workings of this tribunal that is held by any individual, body or group of any nature on this island or on our neighbouring islands or elsewhere be furnished to Judge Smithwick so this tribunal can properly proceed to complete its work. In the context of one particular witness being unwell, I am assuming the tribunal can

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focus on the new information furnished to it and progress that aspect of matters. If there is anything else it should know that is being withheld from it, it is important it receives it.

I thank Members of this House for their support and for their contribution. In the public interest and in the interests of the two bereaved families, I hope that the next occasion on which we are addressing this issue is in the context of a final report having been received by both Houses. I appreciate we will receive two interim reports. I do not know if they will give rise to debate. I am anticipating that they may simply indicate the extent to which the chairman believes he can meet the timeframe that is now prescribed by both Houses.

Question put and agreed to.

*Sitting suspended at 7.24 p.m. and resumed at 7.30 p.m.*

### **Statutory Sick Pay: Motion (Resumed) [Private Members]**

The following motion was moved by Deputy Dara Calleary on Tuesday, 23 October 2012:

That Dáil Éireann:

recognises:

- the fact that there are 200,000 small businesses in this country that employ more than 655,000 people;
  - the ongoing credit and cash flow problems being endured by small businesses;
  - that in 2010, employers paid €5 billion or 75 per cent of the total contributions to the Social Insurance Fund;
  - that cost competitiveness is one of the key determinants of every firm's success;
- and
- that if the cost of doing business is reduced, firms in Ireland will become more competitive;

agrees that:

- the plans of the Minister for Social Protection, to impose what would amount to an additional €89 million in taxation on struggling businesses with the introduction of a new sick pay scheme, should not proceed;
- the Minister is using flawed and misleading international comparisons in justifying her plans;
- an additional taxation burden on employers will drive many small and medium enterprises out of business, damaging the economy and generating more unemployment; and
- the Government has failed to tackle rising costs for businesses; and calls on the

Government not to proceed with the job-destroying Statutory Sick Pay Scheme.

Debate resumed on amendment No. 1:

To delete all words after “Dáil Éireann” and substitute the following:

“recognises the fact that there are 200,000 small businesses in this country, and acknowledges the vital role they play in the economy and the fact that they employ 655,000 people;

notes the range of measures in place to support business, in particular the small and medium business sector, including the seed capital scheme, the three year corporate tax exemption for new start-ups, the back to work enterprise allowance scheme (self-employed), the employment and investment incentives scheme, the research and development tax credit scheme, the accelerated capital allowance scheme, the Revenue job assist scheme and the employer job (PRSI) incentive scheme;

notes the Government’s actions to improve access to finance for small and medium enterprises, including through the temporary partial loan guarantee scheme and the microfinance scheme;

notes the commitment to reducing the administrative burden on business across seven key Departments and the Revenue Commissioners, with a view to achieving a 25% reduction by the end of the year, and that administrative burdens within the responsibility of the Department of Jobs, Enterprise and Innovation have been reduced by over 24% so far, yielding potential savings of €206 million per annum for business;

notes the Government’s continued commitment to reducing the cost of Government-imposed red tape on business, including through the audit of business licence requirements which is currently under way;

notes the Government’s actions in improving competitiveness, and creating and maintaining jobs by reforming the statutory wage setting mechanism and making it more appropriate to our modern economy through the Industrial Relations (Amendment) Act 2012;

welcomes the fact that all but one local authority have frozen or reduced their annual rate of valuation for commercial rates this year;

notes that the Government has simplified and extended the employer’s job PRSI incentive scheme, making it easier for employers to hire someone from the live register and reduce their payroll costs, and that the Government is actively promoting this, and other schemes, that provide financial supports for business;

notes the Government’s progress in improving Ireland’s competitiveness, which is reflected in the International Institute for Management Development’s World Competitiveness Yearbook 2012, which was published last May, and saw Ireland improving four places in the overall rankings to 20th place;

notes that expenditure on illness benefit in 2012 will be an estimated €847 million and that overall expenditure on disability related schemes by the Department of Social Protection will be in excess of €3 billion;

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notes that over the last ten years, the number of people in receipt of a disability-related payment has increased by over 100,000 to just under 300,000, representing 16% of the working age population, and that expenditure on disability-related payments has increased by €2.2 billion to €3.4 billion;

recognises that the deficit in the social insurance fund (from which illness benefit is paid) is projected to be €1.82 billion in 2012;

recognises that in the current economic circumstances, the Department is required to secure further savings on its programmes of expenditure in budget 2013 and subsequent budgets; and conscious of the Government's wish to maintain, as far as possible, vital income supports to the most vulnerable sectors in society, it is necessary for the Government to examine all aspects of departmental expenditure;

notes that the Minister for Social Protection has been engaged in a consultation process with key stakeholders to examine the issues arising from the potential introduction of a statutory sick pay scheme in Ireland; and

notes that this process of consultation and consideration is not yet complete and that no formal proposals in this regard have yet been brought to the Government.”

- (Minister of State at the Department of Jobs, Enterprise and Innovation, Deputy John Perry).

**Acting Chairman (Deputy Catherine Byrne):** Deputies Mick Wallace, Seamus Healy and Tom Fleming are sharing time.

**Deputy Mick Wallace:** The Minister of State, Deputy Sean Sherlock, will not be surprised to hear I believe it is not a good idea to impose these sick pay conditions on employers now. If it had been ten years ago, I would probably not have objected. However, in the current economic climate it is not a good idea. Conditions are already difficult for small and medium-sized businesses. While the Government is keen to talk up export figures, which is fair enough as they are important, the manner in which the domestic economy has been abandoned is disappointing.

Austerity is having a direct impact on most small and medium-sized businesses, whereas the multinationals are independent enough to deal with these pressures and difficulties. We are all familiar with most of the issues relating to the domestic economy, including local authority rates. During the general election campaign everyone was going to tackle them, given that they were not going down, while everything else was. They have still not gone down and it remains a significant problem. It is directly linked with local government - more the lack of it – and its dependence on rates.

Despite rumours to the contrary and reports in the newspapers, I still employ 50 people in the restaurant sector. Rising energy costs, for instance, can have a dramatic effect on the sector.

**Deputy Sean Sherlock:** It is good grub too. I have tasted it.

**Deputy Mick Wallace:** I thank the Minister of State. Another cost factor is upward-only rent reviews, an issue which was also to be tackled. We know that rents were not touched because it would not have suited the banks, given that they take in the most rents on commercial property. To claim having a review would be unconstitutional is fine, but the Government should have tackled the issue, instead of caving into the banks. Getting access to credit, even

for businesses that are doing okay, is unbelievably difficult. The most significant problem of all for the domestic economy is the fact that people have little or no disposable income.

**Acting Chairman (Deputy Catherine Byrne):** The Deputy's time has expired.

**Deputy Seamus Healy:** I welcome the opportunity to speak to the motion which I support. It is ironic that the party putting it forward is the very one that raided the social insurance fund during the years when it was in government. The fund is now in deficit and the only way to ensure it is brought back into surplus is by creating employment which will mean more payments going into the fund with less coming out because of fewer people on the dole queues. Unfortunately, the Government has a bad record in employment creation. In the past 12 months there has been a net loss of 33,400 jobs, despite jobs budgets, jobs initiatives and all the talk about job creation before and after the general election. The Government's position is more job destruction than creation.

As other Members have stated, the moneys, approximately €25 billion, taken out of the economy in the past few years have decimated the domestic economy in particular. Smaller employers in this sector would be hit hard if the Government's proposal on sick pay were to be implemented. Walking the main streets of our towns and cities, one will be more than aware of the number of small businesses and shops that have closed in recent years, with many thrown on the dole queues. The Government's proposal on sick pay would be counterproductive and add to the high numbers already on the dole queues. It would also be a further cut to public services. Front-line services in health, education, the Garda and defence have already been decimated. The imposition of the Government's proposed sick pay scheme would mean further cutbacks to public services. For instance, today in South Tipperary General Hospital 24 patients were on trolleys waiting to be seen to. If the Government proposal goes ahead, it will make these waiting times and conditions worse because there will be fewer funds available for front-line services. The same applies to community policing. The Minister's proposal is wrong as well as unacceptable and will only make matters significantly worse.

**Deputy Tom Fleming:** The proposed statutory sick pay scheme amounts to nothing more than an extra tax on employment at a time when reducing costs and creating jobs should be the priority. Forcing employers to pay an additional €85 million to cover the costs of up to four weeks sick pay will make the country less attractive for investment and erode some of the hard won competitiveness gains made in recent years. By international standards, the cost of employing people in this country is already too high. The Government's proposal will only make matters worse. The suggestion that Ireland is out of line with international practice on sick pay is misleading. Employers already pay 75% of the money that goes into the social insurance fund which covers sick pay benefit. In 2010 this amounted to €5 billion. The current proposal will make employers actually pay on the double.

International comparisons also need to recognise that Ireland's employer's PRSI rate of 10.75% has no cap on the employer's contribution. The rate applies to all income, unlike in the United Kingdom, for instance. The transfer of social welfare costs on to employers will force many of them to eliminate or reduce current sick pay benefits where these are being paid. It will also mean other cost-cutting measures will have to be implemented and employment will be reduced. It will put jobs at risk and add further pressure to an already stressed social welfare system, the last development the economy needs at this time.

Absenteeism already costs small firms much as they incur significant costs, including volun-

tary sick pay top-up, medical referrals, overtime payments, as well as the effect on quality and productivity. The proposal is also at odds with the Government's Action Plan for Jobs which states one of its aims in making Ireland more competitive is to reduce the cost of employment to employers. There is a need for a rethink about this proposal. Many small businesses, whether it is a shop or a family business, have their backs to the wall with impediments in their way to survive. One only has to look at the hotel sector which gives sizeable employment, but many hotel rooms lie idle. We do not need to contract conditions even further.

**Deputy Derek Nolan:** I am an optimist at heart and I intend to consider the Fianna Fáil motion from a genuine point of view. There is a genuine case to be made for businesses struggling in the economy. There is no doubt the domestic economy has taken a whack and that small businesses are struggling with reduced incomes and profits as well as reduced customers. The cost base they are obliged to service is an ever-increasing part of their businesses and some of them are simply unable to cope with it or, if they can cope, they are staying just above the water. I wish to put on the record that there is a genuine case to be made for small and medium enterprises.

Our relationship with taxation has been always bizarre. We have never had the concept of a social wage or contract whereby a person pays taxes into a fund or to the State in return for services, a certain standard of living or a Government that provides for that person in return. We have always seen taxation as something that simply goes away, something that is taken from us and we have always resented it. There is no greater example than the Social Insurance Fund, which has been allowed to go into deficit to the tune of almost €2 billion in 2012. I understand the exact figure is €1.82 billion. If the fund is designed to provide for social insurance then it should balance. The fund should be paid into by employees and employers to provide insurance for those who cannot afford certain services or who are out of work and so on.

One issue that annoyed me about the universal social charge when we introduced it was that we gave it a nice name and we had the idea that people were getting social benefits from it, whereas in fact it was simply a tax. We need to move to a different form of taxation and a different relationship between people and the State.

Let us take a step back before we consider the statutory sick pay scheme. What is the first thing we know about sick pay? It is that there is no entitlement to sick pay from one's employer. Employees are often at the discretion of a benevolent employer who may decide to provide sick pay in the terms and conditions of employment. It is not something provided by right. If an employee is sick, the current position is that he or she is entitled to nothing for the first three days. After that an employee is entitled to apply for illness benefit.

The Minister has begun a consultation process on the introduction of a statutory sick pay scheme. While the interests of employers are very important because they provide jobs, we cannot exclude from the discussion the interests of employees. Employees have a right to earn an income, irrespective of whether they are sick, based on the relationship with the employer. In many countries throughout the world, especially in Europe, statutory sick pay schemes work successfully. Examples include Australia, where there is a statutory entitlement to ten days per year, Austria has a scheme for up to 12 weeks, the United Kingdom has a scheme for up to 28 weeks and Finland has a lower entitlement of nine days.

Many things need to be balanced. In discussions on the economy we are always quick to say who should not pay. Were we to listen to all of the debates no one would pay anything and

a mythical source of gold somewhere would solve all our problems. Everyone must contribute. The issue of statutory sick pay and the benefits it would have for the economy and for employers in managing absenteeism are manifold. This is especially the case in the public sector to which the scheme could apply and serve as a good impetus for proper human resource management. A scheme would be also better for employees.

The Minister for Social Protection has set out a consultation process. At all times she has engaged with businesses, employee representatives and so on and this process should continue. We should consider the Social Insurance Fund as something to be properly funded and seen as a viable fund to provide services rather than something left to the discretion of a balance that cannot always met.

**Deputy Gerald Nash:** I am amused these days when those in Fianna Fáil raise issues to do with business and the economy. They remind me of the B-movie villain who always returns to the scene of the crime with his hands in his pockets, whistling and asking innocently what has happened and whether there is some way he could possibly help. Let us make no mistake, Fianna Fáil is the villain of this particular piece. It is single-handedly responsible for wrecking our economy and for driving many businesses to the wall. Those in the party may now act the part of concerned onlookers but the memories of the people are not short and I do not believe anyone will be taken in by such brazen attempts to ignore the party's all-too-recent history. Much of the damage done to our economy and our indigenous businesses was caused by the previous Government's inability to stop pandering to special interest groups, a habit which the party responsible has yet to shake. Businesses and banks sought light-touch regulation and the party opposite delivered it. It constantly sought exemptions from rules which were in the public interest and which were the norm in other countries. Those in Fianna Fáil are at it again today and they were at it last night with their attempt to shoot down a proposal that employers should contribute modestly to statutory sick pay, a proposal which will do nothing but bring us into line with normal practices throughout Europe.

Chambers Ireland does much good work in every town and city throughout the country. The organisation should know better but it released a statement today criticising the Minister for Social Protection, Deputy Burton, and suggested that Ireland's situation is not unique but similar to that of France and Italy. This statement does not add up. In France employers must top up illness benefit to normal pay levels and in Italy there is provision for 180 days of statutory sick pay, similar to arrangements in the United Kingdom, our closest trading partner. This is the system that pertains a few miles north of us in Northern Ireland. If Chambers Ireland wishes to go down this road, I would be perfectly happy to support it.

It is no longer sustainable or affordable for the taxpayer to foot the burden of illness benefit in this country. According to figures issued to me in reply to a parliamentary question late last year, in 2010 it cost the taxpayer almost €1 billion for almost 26 million sick days. The taxpayer is predominately funding illness benefit and it follows that there is little or no financial incentive to tackle absenteeism. In the Netherlands before the introduction of a statutory sick pay scheme some 8% of the workforce were out on sick leave on any given day. It reached the point where the Netherlands was known as the sick man of Europe. Since the inception of an employer-funded scheme in the Netherlands, the Dutch rate has halved to 4%. This has led to productivity and profitability gains. We should move beyond the glib soundbites of the issue of statutory sick pay, some of which we have been treated to here in recent days. We should have an honest, open and frank debate, one that is evidence based. I firmly believe based on the evidence I have seen that the introduction of statutory sick pay will ultimately provide a win

win situation for business and the taxpayer. I urge everyone in the House who has contributed to the debate to show responsibility in terms of the discussion.

**Deputy Dara Murphy:** I welcome the opportunity to speak on this Private Members' motion. We should acknowledge that no clear decision has yet been taken in this regard. Perhaps it is one of the few debates where there is space for an ideological difference, and there is an ideological difference. We must acknowledge that the country has been put in a remarkably difficult position economically and Ministers seeking to reduce spending by in the region of €2.25 billion while finding an increase of €1.25 billion in income will find it difficult to come up with measures to secure these figures.

One of the most crucial sectors in the economy at this time is the small and medium enterprise sector, especially the indigenous sector. The country has done sterling work to continue to secure significant amounts of foreign direct investment. Our low corporation tax rate, our workforce and our access to the eurozone through our membership of the euro area have all led to significant job announcements and significant optimism.

The country has been less successful in protecting, encouraging and supporting small entrepreneurs, Irish people, to get to a point where they can set up and establish their own businesses. Let us consider the density of employment created by small business. Were our small businesses in a position to employ another one or two people, we would be truly on a march to economic recovery. I fully respect what the Minister has said and her ambition to reduce her expenditure. However, small businesses are already carrying a significant burden. It is accurate to state that what is being proposed is not common across the euro area or the working world. Given the differential between the sick pay regimes in the public and private sectors, I would support in the first instance trying to adjust the percentages and the numbers in the former through a variety of schemes before looking at the small and medium-size enterprises.

The Government has done some excellent work on PRSI and the microfinance scheme to encourage people to set up of businesses and to employ. I would urge the Minister for Social Protection, Deputy Joan Burton, to look at this and to realise that there will be savings to her Department in reducing the number on unemployment benefit and in them paying taxes through their work. That debate is ongoing. I heard the Minister for Jobs, Enterprise and Innovation, Deputy Richard Bruton, and the Minister of State, Deputy Perry who, I suppose, share some of the concerns of the Small Firms Association and IBEC. These bodies have valid concerns. That is not to say that their concerns are any different from the large number of groups in the country which do not want to see their budgets cut and who do not want to pay any more towards economic recovery, particularly the self-employed. We all meet people in our constituency offices who find it very difficult to secure social welfare payments. Many of them have costs, such as loans. I myself come from this sector. Most who are self-employed and who run small businesses have no interest in being part of the social welfare system. They only require Government and State agencies to allow them the freedom to earn and to work. There may be other more preferential areas where we can look at securing savings in social welfare expenditure.

This is an ongoing debate within the Government and Cabinet. The motion is premature and largely unhelpful. At the same time, from my own point of view, I would seek to support the enterprise side of the argument.

**Deputy John O'Mahony:** I am glad to contribute to this debate. I acknowledge Deputy

Calleary and Fianna Fáil for raising it.

This was a proposal in advance of last year's budget and here it is again. I welcome the Minister of State, Deputy Perry's important assertion last night that there is ongoing consultation but nothing has been brought to Government. Deputy Dara Murphy mentioned the debate was possibly a pre-emptive strike but let us take this positively as a form of the debate and the consultation.

The Ministers, Deputies Richard Bruton and Joan Burton, and the Minister of State, Deputy Perry, and those directly involved in this acknowledge that the 665,000 referred to who are employed form the engine room of the economy and also acknowledge that there are supports that have been put in place in recent times, such as the credit guarantee scheme, the microfinance scheme, the back-to-work enterprise allowance, revenue job assist, etc. I need not list them all here. I agree, as does everybody here on any side of this debate, that many small businesses are hanging on by their fingernails and if this proposal for sick pay is introduced - in the wrong way or possibly at all - it could be the tipping point for many of them. Everybody acknowledges that savings must be made but the way of doing it is important.

Only last week, I arranged for the Minister of State, Deputy Perry, meet the Chamber of Commerce in Claremorris where he heard at first hand the difficulties of small businesses, such as rates and car parking charges. All of these feed into the difficulties in businesses where there is a drop in footfall and plummeting turnover. There has been over-regulation, not only in this Government but in the previous Government as well, as I am sure Deputy Calleary would acknowledge. There were many agencies telling small businesses and shops that they need to do something one way while in the following week someone else from a different agency would tell them something different. The Government is committed to reducing the amount of red tape and regulation for small businesses and there are reports ongoing, but I acknowledge that we need to fast-track this so that these reliefs, as well as the existing supports, are brought forward quickly. Whatever consultation is taking place, it needs to consider carefully a cost analysis of the consequences of introducing this sick pay scheme. It also needs to consider the situation of small employers with two or three employees which would not have the capacity to pay this.

I was interested in the figures across Europe, where the absentee rate is 3.8% in the private sector. In Ireland, it is 2.5% and in small businesses, it is only 2%. This is not about pitching private sector against public sector, but there are a number of issues to be tackled in the public sector where absences are higher. With the goodwill of everybody on all sides of this House, I hope that this will not affect or cause further unemployment in small businesses.

**Deputy Dominic Hannigan:** As the Minister, Deputy Joan Burton, and Minister of State, Deputy Perry, noted in their speeches last night, the SME sector is the backbone of the economy in Ireland. We in Government recognise this. Since we came into office, we have been working hard to create the right environment for companies to grow. Within a year of taking office we introduced the Action Plan for Jobs. It contained 270 different action points that each Department would undertake to help businesses set up and grow.

It is a pity the party that led us into the economic mess is too busy focusing on what might happen instead of focusing on the positives happening in the economy. Employment in export-oriented companies has grown by 10,000 over the past year and a half. Exports from Irish companies are up. They reached €15.2 billion in 2011, the highest level they have ever reached.

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New supports have been set up for the SME sector. For instance, a temporary partial credit guarantee scheme was launched last week. It will benefit companies experiencing difficulties accessing credit from banks. It will see an additional €150 million being made available to SMEs every year which will probably lead to 1,000 new jobs. The microfinance loan fund has been open for applications since the start of the month. Some €40 million will be available over the next five years to micro businesses. This funding will give people a chance to see whether their idea might work and it will give them the time to develop it into a sustainable business. It is hoped that this scheme can create another 7,700 jobs in the next five years. Those are not the only changes that have been made.

The Minister, Deputy Joan Burton, has made it easier for employers to employ someone who is long-term unemployed. She has changed the PRSI rules so that employers can get an exemption from PRSI for this employee for up to 18 months. That is what has happened already and there other measures being looked at.

In the newspapers on Sunday, there were reports of a debt deal for SMEs. This would allow an SME to restructure its debt. It has been called “examinership light”. It would allow the SME to become viable again, continue to trade and, in the process, save jobs. It was a commitment of my party in the programme for Government and we are working on making it happen. I have contacted the office of the Minister, Deputy Richard Burton about this and his Department is discussing it with the Company Law Review Group. It is one more example of how the Government commitment to ensuring that the SME sector works.

On a personal level, I am very much aware of the difficulties faced by SMEs.

*8 o'clock*

I set up an SME 17 years ago and I recognise the difficulties that SMEs are faced with in the current economic crisis. I also recognise the talent out there and the fantastic people who are running their own companies and working for small companies. I have no doubt that it is these small businesses that will be at the vanguard of getting us out of the current economic recession.

**Deputy Michael McNamara:** I thank Deputy Calleary and Fianna Fáil for raising this issue and allowing us to look at it in some detail. In Deputy Calleary’s speech last night he said that while some OECD countries have statutory sick pay schemes to which employers contribute, some do not. What the Deputy did not say is that the great majority of OECD countries have statutory sick pay schemes to which employers contribute. My colleagues have outlined in considerable detail the countries which have such schemes and Ireland is in a small minority of countries which do not have a fund to which employers contribute. However, Deputy Calleary did find a few countries where employers do not contribute and these include Canada, Greece, Portugal, Turkey and the United States of America. If one takes a cursory look at OECD data to determine what the income tax plus employee and employer contributions, less cash benefits were in 2011, as a percentage of labour costs, one sees that Ireland is ranked quite low, at fourth from the bottom. In figures, Ireland comes in at 21.3% while Canada, which was cited by Deputy Calleary, came in at 26.1%. There was no data available for Greece. Portugal came in at 33%, Turkey at 35% and even the United States, also cited by Deputy Calleary, came in at 27.2%.

So, accepting the veracity of what Deputy Calleary said, that employers do not contribute to the fund in those countries, then if Ireland is lower than all of these countries in terms of

income tax plus employee and employer contributions, that would indicate that the only way to counter that is to increase the employee contribution or to increase income tax. That is, of course, a way of paying for statutory sick pay but if that is what Deputy Calleary is suggesting, then he should be honest about it. Be the party of taxation. Be that welfare party that Fianna Fáil has had a slightly schizophrenic relationship with since its foundation. Be the party of tax and spend. The Bertie Ahern years were about spending and he was a socialist in some circles but, of course, he was a fiscal conservative in others.

The reality is that everything costs money, from statutory sick pay to the current scheme, which, as Deputy Burton pointed out, is unaffordable as it stands. The fund currently has a significant shortfall of income over expenditure. The estimated expenditure is €9 billion, set against income of €7.5 billion this year. In the absence of action to tackle that shortfall, the 2011 deficit of €1.5 billion will double to €3 billion by 2019. In other words, the shortfall will increase from 1.1% of GNP to 2%. This scheme is one proposal to fix that shortfall and there are others, including increasing taxation. However, this Government has said that it will not increase taxation and in particular, it will not increase the taxation of the low paid. If that is Deputy Calleary's solution then I invite him to be honest and outline that to the House in his summation of this motion. I thank the Deputy for the opportunity to look at this matter in considerable detail.

**Deputy Martin Heydon:** On the issue of small business in general, I am very proud to be part of a Government that is focused on not taxing work. In a very difficult budget last year, to have managed not to increase income tax and tax on workers directly was quite a feat by the Minister for Finance. That is something that must be recognised by everyone.

One of the commitments in the programme for Government, which was also in the Fine Gael election manifesto, is to reduce red-tape and bureaucracy for businesses. In that context, I welcome many of the measures that have been introduced, which are having tangible effects. The amendment refers to the administrative burdens within the responsibility of the Department of Jobs, Enterprise and Innovation being reduced by 24% this year, yielding potential savings of €206 million per annum for businesses. These are real changes that are feeding down. Local authorities have frozen or reduced rates across the country. The Valuation Bill that is currently before the Seanad will also produce changes. These are the types of measures that must be implemented because small and medium sized businesses are the life blood of our economy. The multinationals are brilliant and the jobs they create are vital but in every town and village in this country there are small businesses that employ one to three people, sometimes family-based and they are absolutely crucial to the future of our economy.

The amendment very clearly sets out the supports that are available to businesses already. These include the seed capital scheme, the three year corporate tax exemption for new start-ups, the back to work enterprise allowance scheme for the self-employed, the employment and investment incentives scheme, the research and development tax credit scheme, the accelerated capital allowance scheme, the Revenue job assist scheme and the employer job PRSI incentive scheme. The amendment also refers to the temporary partial loan guarantee scheme and the microfinance scheme. These are all real and tangible supports which small and medium sized businesses can avail of and they show that this Government is pro-business and is determined to support those who are at the coalface of driving our economy.

Within our overall budget we must try to ensure, while making the adjustments to which we are committed, that people have money in their pockets to spend on services and goods, which

will help small businesses. At present, that is a very difficult balance to strike. A major challenge for small businesses at present is accessing credit. The fall off in consumer spending and consumer confidence in general are also serious issues. These are challenges that businesses are grappling with at present.

Regarding the overall issue of sick pay, it is important to point out that no final decision has been made on these budgetary matters yet. It is good that we are having the opportunity to discuss it this evening. There is no question, and the Opposition cannot deny, that we have a deficit in the social insurance fund, from which illness benefit is paid. The deficit is increasing all of the time. It must be tackled and this proposed measure is an attempt to do that. However, imposing a statutory sick pay scheme on small and medium sized business will not necessarily address that issue. We need to examine the matter in a very informed way. The key phrase, which the Minister for Health has used in relation to the health sector, is 'fact-based analysis'. Decisions that are made must be based on fact and must be capable of standing up to scrutiny. That is absolutely crucial.

I would have some concerns regarding the introduction of a scheme of statutory sick pay. It might lead to a situation where an employer would be reluctant to employ somebody with a history of bad health. I would be concerned that some people would be at a disadvantage when applying for jobs. We must also look at how we challenge absenteeism, in both the public and private sectors.

I welcome the fact that the amendment points out that the process of consultation and consideration is not yet complete and that no formal proposals have been brought to Government yet. This gives all Members the opportunity to contribute to the debate about the broader issue of the budget and the impact it will have.

**Deputy Michael P. Kitt:** I commend Deputy Calleary on preparing this motion. Other speakers have described SMEs as the backbone of the economy but the additional €89 million in taxation which the Minister for Social Protection proposes to impose on them will make it more difficult for already struggling businesses. My party is opposed to any move to introduce statutory sick pay. We should instead be trying to reduce the cost of doing business so that the country can become more competitive. Many businesses are hanging on by their fingertips. A survey conducted by Chambers Ireland found that more than 87% of respondents believed that transferring the cost of sick pay to employers would affect their businesses negatively.

The issue has been extensively debated in local media in the west. The *Tuam Herald* reported that banks are stymying small business start-ups in Galway because they are not offering matching finance to companies approved by the county enterprise board. This is a worrying development because the board has been active in awarding a total of €380,000 to 28 businesses in the city and county of Galway, which has led to the creation of 56 new jobs and the retention of 77 existing jobs. This is happening at a time when the Government proposes to merge county enterprise boards with the local authorities. Funding for the Galway County and City Enterprise Board has already been cut with the result that fewer local jobs are being created and supported. Of the 28 businesses which received finance this year, 18 are existing enterprises. The remaining ten new start-ups could not get finance anywhere else. It is a serious matter if the main banks are that slow in helping new businesses. The banks provided only €80,000 in matched funding for the board's investments. I ask the Minister of State at the Department of Jobs, Enterprise and Innovation, Deputy Sherlock, to provide additional funding for the waiting list of pre-approved businesses. A delay in funding means that it will be too late to offer grants

to those companies.

I welcome the introduction of the micro-finance scheme. The majority of small businesses will qualify as micro-enterprises or sole traders. Applications have been accepted and are now being processed. However, a report on enterprise found that the interest rate of 9.5% is putting many people off the scheme. Some 30% of clients were unable to draw down their grants or get further funding from their banks.

If employers are already paying large amounts in PRSI to cover the cost of sick leave, it will be difficult for them to do more. In 2010, employers paid €5 billion in contributions to the Social Insurance Fund, which was 75% of the total. The current proposal will make them pay on the double. For the more than 40% of small enterprises which do not at present incur sick pay costs, statutory sick pay represents a substantial additional burden. This new burden is seen as a tax on jobs which will impact most on smaller and more vulnerable employers operating low margin businesses. ISME has argued that it will lead to job losses and the cost base will increase. Where does the Minister of State think small and medium enterprises will find the money to pay for sick benefit in addition to paying for replacement staff given that the majority of them are hanging on by their fingertips?

**Deputy Niall Collins:** I am delighted to take part in this debate on the issues affecting small businesses, which are an important part of our economy and offer great potential for job creation in small communities and large urban centres. What has the Government got against Limerick and the mid-west in terms of job creation? The recent announcements from Kerry Group and Paddy Power were welcome but the new jobs will be concentrated along the east coast. The mid-west and the Limerick region have not benefited from any recent significant jobs announcements since the Labour Party and Fine Gael came into office. PayPal decided to locate in County Louth after considering both that county and the former Dell facility in Raheen. Limerick expects the delivery of a major employer at the earliest opportunity.

I commend Deputy Calleary on tabling this motion because it is very important. I wish to share with the House correspondence I have received on the issues arising from it. Correspondence I received from Shannonview Retail Limited which stated:

As a legitimate business in your constituency I would ask for your support to halt the proposal from Minister Burton to make me responsible for my employees' sick pay. We employ 40 full time / part time staff. Rather than support attendance this is more likely to encourage absence as the employee knows that I will have to pay their wages if they don't attend for work.

Correspondence from Mike Hynan, a coach company in Limerick, referred to the sick pay proposal and:

the impact it will have on small businesses, on employment and job creation.

I established my business eighteen years ago and we are based in Limerick. We currently employ fourteen in both a part time and full time capacity.

It has been suggested that the cost of illness benefit to the State could be reduced if some of the cost burden was placed on employers, i.e. for employers to pay disability pay for the first four weeks associated with any period of illness.

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I believe that such a policy change will have serious cost implications for my business and it amounts to an additional flat tax on employment.

Correspondence from Shellfish De La Mer Ltd., of Castletownbere in County Cork, stated:

The transfer of social welfare costs onto employers will force many to eliminate or reduce current sick pay benefits where these are being paid, implement further cost-cutting measures or reduce employment. It will put jobs at risk and add further pressure to an already stressed social welfare system. It is the last thing the economy needs at this time.

Correspondence from Limerick Chamber stated:

The restoration of cost competitiveness is central to any economic recovery. If Irish enterprises are to compete successfully for business in international markets, then cost competitiveness is one of the key determinants in achieving success.

It is imperative that the Government does not implement mooted plans of the Department of Social Protection to transfer these costs on to business. In our view the DSP should focus on saving costs elsewhere rather than simply passing additional burdens on to the job creating tax generating section of the economy.

I am sure the Deputies opposite have received similar correspondence.

We also need to address other issues affecting small businesses, including in particular commercial rates. The long promised valuations Bill has been poorly received by the retail and business community. The Vintners Federation of Ireland was quoted recently as saying it is essentially a new Bill written by the Valuation Office for the Valuation Office and that it addressed none of the legitimate concerns of ratepayers. It does not address the issue of inability to pay or of a change of economic circumstances in the business and does not address the issue of fairness and equity in rates. As the Minister of State is aware, small businesses are key to the economy, to employment and to keeping our communities alive. We must listen to what these people are telling us.

I have not had the opportunity to mention the old thorny issue of upward-only rent reviews. I have in my possession a letter which was circulated around the time of the election in regard to these reviews and I regret that I cannot bring it to the attention of the Dáil tonight. Perhaps I can on some other occasion.

**Deputy Timmy Dooley:** I welcome the opportunity to contribute to this important debate and I thank my colleague, Deputy Calleary, on having the foresight to bring the matter to the House.

It is clear raising this issue has started to ruffle the feathers of some of those on the Labour Party backbenches. I had the benefit of hearing what Deputy Nash had to say before I left my office. I was a little disappointed by what he had to say, because I have quite a lot of regard for him and he usually makes a valuable contribution. I will give him the benefit of the doubt and put what he had to say down to Labour Party central issuing the first page of its defensive bible, which clearly is on the lines of suggesting its backbenchers should look at the guys in opposition and blame them and that will resolve all the problems.

Whether Deputy Nash or Labour Party central like it or not, we are elected to do a job. Whatever about holding the Government to account, with the limited numbers we have, we

will contribute to the best of our ability and will bring forward ideas as best we can. I advise Deputy Nash and other backbenchers who are of the view that it is an appropriate defence to continue to kick Fianna Fáil and blame other parties for the state of the economy, to go back over some of the missives issued by their own parties over the past ten to 15 years. They need not go to their election material, but just to their regular press releases and commentary on the budget. I have seen very little over the course of that time that leads me to believe they would have done things dramatically differently. If we all accept we are in the position we are in and work to try to resolve it, it will provide for a far better and more appropriate level of debate in the Chamber, rather than continuing to denigrate the views of people on this side of the House because of issues in the past.

I listened to my good friend, colleague and neighbour, Deputy McNamara, who took us on a tour of the world that would make Kathryn Thomas of “No Frontiers” proud he covered so much.

**Deputy Michael McNamara:** Or a member of the Joint Oireachtas Committee on European Affairs.

**Deputy Timmy Dooley:** Indeed, or even of the committees on which the Deputy sits. He sought to suggest that while some other countries did not have this type of system, many did. He compared country with country rather than the basket of costs small businesses encounter, which is something one must do when looking at this kind of issue. The situation is similar when we try to compare personal taxes for different countries. It is not possible to make such comparisons unless they are done on a line by line basis.

We are all aware that the most important statistic at this time is that almost 15% of our people are unemployed. This is the significant figure, not anything else. Successive Governments have made it clear that they believe tax on work was a disincentive to work. The corollary of that is that if we increase the cost of providing jobs, jobs will be lost or will certainly not be created. Taking on board the fact there is almost 15% unemployment, we see the real constraints within the economy, particularly the domestic economy where the retail sector - usually a great generator of employment - is on its knees. If we accept this, we must recognise there is a crisis in employment and tread very carefully with regard to increasing the burden on any business seeking to retain what it has, let alone expecting it to create new jobs.

It is clear the SME sector is of vital importance, with approximately 200,000 small businesses in the country and 650,000 people employed in them. Significantly more were employed in the sector, but because of the current situation these enterprises are now under enormous pressure. Deputy Collins spoke at length about the rates situation. Until such time as we can figure out an appropriate rate, based on turnover rather than floor space, we can do nothing. There are a number of furniture shops in the town I know best, but product movement is relatively slow in the current climate. These businesses have large warehouse type showrooms, necessary to display the product they seek to sell, but they are being crippled by rates. There is no reference in the application of rates to the scale of activity or turnover. I do not suggest that chip shops or mobile phone shops or whatever are profitable, but they have a much higher turnover in a relatively small amount of space. Until we try to get this balance right, we are not acting in a way that demonstrates we have regard for and wish to support enterprise.

We have had the debate on upward-only rent in the House. If Deputy Nash was here or if anybody else wanted to see how disingenuous the Labour Party was in opposition and in the

run into the last election, this was typified by what it did with regard to the so-called upward-only rent reviews for historical leases. It produced legal opinion, but when the time came, it accepted the opinion of the previous Government.

**Deputy Sean Sherlock:** What is the Deputy insinuating?

**Deputy Timmy Dooley:** I am insinuating nothing whatsoever. All the Minister of State need do is go back and check the facts. That was an exceptionally disingenuous situation.

**Deputy Michael McNamara:** There might be a solution.

**Deputy Dara Calleary:** It will not come from Deputy McNamara.

**Deputy Timmy Dooley:** I recall that the Labour Party packed the Visitors Gallery with people who supported its cause, but when it got them down the stairs and through the front gate, it closed it firmly behind them.

**An Ceann Comhairle:** Is the Deputy sharing time with Deputy Healy-Rae?

**Deputy Michael McNamara:** Deputy Healy-Rae may be able to offer a solution.

**Deputy Michael Healy-Rae:** I created more jobs in my time than Deputy McNamara.

**Deputy Timmy Dooley:** The Labour Party packed the Visitors Gallery with people who supported its cause, but when it got them to the front gate it closed it firmly behind them. Until such time as the Labour Party apologises for that, I will not take any lectures from Deputy Nash.

**Deputy Michael Healy-Rae:** I thank Fianna Fáil and Deputy Calleary for bringing forward this important motion. The Government continually talks about creating new jobs, but it misses the point that it must protect the jobs we have. Small employers in this country are pressed to the pin of their collars trying to keep their doors open and to keep people in employment. The proposal on sick pay will put them under unbelievable pressure and employers will not be able to keep the employees they have if this is foisted on them.

I am disappointed that the Minister for Social Protection, Deputy Joan Burton, is not here. I would like to know what is more important tonight than her being here to hear this very important motion being discussed. Employers and many employees will be looking at this debate and wondering where she and the people who support her are and how they are going to vote on this motion. This is about employers trying to keep employees at work so as to keep their households financially viable with money going into them every week. That has been difficult for employers over the years. More than ever before, they are now being put to the pin of their collars. Rather than putting further financial burdens on them, the Government should protect those jobs by creating an environment that would make it easier for them to keep people employed. I hope Deputies will keep that in mind when they vote on this motion. I will conclude by asking somebody to provide IDA Ireland with a Sat Nav that would allow it to find County Kerry and perhaps create even one job there. It would be a help.

**Deputy Michael McNamara:** Perhaps it will create jobs in a plant hire company.

**Deputy John O'Mahony:** County Kerry is exporting jobs to County Kildare.

**Deputy Michael Moynihan:** I welcome the opportunity to speak on this important motion. I thank Deputy Calleary for tabling it. There is no doubt that small businesses that employ two,

three, four or five people are hurting in a bad way. I refer particularly to retail businesses. This is a huge issue in smaller towns throughout the country. We are familiar with the fanfare that accompanies big job announcements. The employment they bring is very welcome. When the Government parties were on this side of the House, they used to argue that if every small business created one job, it would almost resolve the employment problem. I challenge them to take up what they said on this side of the House now that they are on the other side of the House.

For the last ten years, Departments, Governments and people have said there needs to be a reduction in the amount of red tape and bureaucracy encountered by those who have the gumption and the courage to take the ball and run. When individuals and groups that have established small businesses and taken on everything involved in them come to us for help and advice, they constantly complain about the bureaucracy they encounter in their dealings with Departments and State agencies that say certain things cannot happen for certain reasons. In the last Dáil, the current Minister of State, Deputy Sherlock, and I sat on a committee that set ambitious targets for reductions in bureaucracy, met officials from the Department of the Taoiseach and other Departments and did some work in this regard. What work has been done over the last 18 months to reduce bureaucracy? The Minister of State and I are well aware that the level of bureaucracy is causing huge difficulties and huge headaches.

We have to examine the possibility of determining commercial rates by reference to turnover rather than square footage. People who have confined their businesses to smaller sections of their outlets over the last three or four years have to pay rates on the basis of the larger premises. Some of the businesses in smaller towns that are having to close have been in operation for 70 or 80 years. I am aware of businesses in towns in my constituency that have closed for a raft of reasons, including difficulties in securing the proper terms from the bank and difficulties in meeting the targets that have been set down in relation to bureaucracy, etc. The Opposition in the last Dáil made huge play of the issue of upward-only rent reviews. It is time for the parties in question to come clean about the barrage of advice that was available to them. For all our sakes, they should admit they led the people up the garden path.

I wish to refer to an important issue that is constantly being mentioned by other Deputies. Self-employed people and small business owners who go out of business have nothing to rely on when they go to social welfare offices because of their class S contributions, whereas people who are made redundant can use their stamps to sign on for a certain period of time. A report that landed on the desk of the Minister for Social Protection this time last year set out how directors of companies, sole traders and others with class S contributions can have those contributions recorded in a way that would allow them to benefit from them if they became redundant or if their business ceased. I understand the United Kingdom has taken up an initiative to allow the self-employed to benefit from their contributions. My understanding is that in November or December of last year, the Minister, Deputy Burton, received advice from the Attorney General and the legal apparatus of the State, but we have heard nothing since. I have asked on a number of occasions for the advice on these issues that was brought to the Government to be made known. Sole traders and self-employed people who cease trading or go out of business need to be helped because the State is giving them nothing to rely on at present.

**Deputy Brendan Smith:** As we do our work on a daily basis, we must all be conscious of the huge importance of the small business sector throughout the country. Practically every parish, town and village depends on the small business sector for its economic lifeline. By and large, every small business is under severe financial pressure. Such businesses need cost reductions rather than additional costs. Like every other Member of the Oireachtas, I have received

many representations conveying the concerns of employers about the possible imposition of additional sick pay costs. Those employers have clearly outlined the negative effects on employment that would ensue if such additional costs were imposed. These representations have come from all sectors and from businesses that rarely bother us about budgetary matters. They have made the point that the effect of this additional taxation would be to drive many small and medium sized enterprises out of business, with the attendant loss of much-needed employment. This country's 200,000 small businesses provide valuable employment for more than 655,000 people. In a small country like this, the provision of such a valuable level of employment in so many enterprises is a great testament to the individual entrepreneurs and their staff. It is a reflection of the valuable State assistance that has been provided over the years under various schemes and programmes.

By their nature, small and medium sized enterprises are located in both urban and rural areas. This country has a very dispersed population. It differs from many other EU member states in that regard. We need to incentivise small and medium sized enterprises for that and many other reasons. It is through the SME sector that we have some hope of dispersing business and employment opportunities throughout rural and smaller urban areas. Many of these enterprises are already dealing with additional costs in areas like transport because of their rural or peripheral locations. Deputy Calleary and other colleagues have dealt with the international comparisons, which had been the subject of misleading commentary. Over 40% of employers currently have no sick pay costs. They are predominantly small employers. It is clear that a new cost burden would be a further tax on employment. Businesses with low margin returns would be particularly vulnerable. The figures for the 2010 Forfás report are very important in this regard. They highlight that labour costs account for 60% of domestic input costs in the retail and hospitality sector and a much higher percentage in the services sector. Those sectors provide employment throughout the country. The major reduction in the redundancy rebate from 60% to 15%, along with the VAT increase in last year's budget, also had an impact on the necessary profitability and competitiveness of small and medium sized enterprises.

We cannot ignore the results of surveys recently conducted by representative organisations like the Irish Small and Medium Enterprises Association and the Chambers of Commerce. I would like to refer specifically to a survey carried out by Early Childhood Ireland, which is the representative body for child care providers throughout the State. We are all conscious this is a relatively new sector of the past decade to 15 years, whereby 100,000 children are cared for daily in a professional manner, both preschool and after school. The sector has indicated that, if the sick pay proposal was introduced, 42% would increase their fees to accommodate the plan while 97% said they could not afford to pay for the four weeks of sick leave. More than half, unfortunately, responded that such a move would lead to them closing their service. We do not want to see the closure of services that are so important from the point of view of the development of the child and of providing preschool education, with facilities provided throughout the country in both urban and rural areas. They cannot afford to have such an additional burden imposed upon them.

I am glad the Minister, Deputy Noonan, is present. He will recall that through parliamentary questions I have raised the issue of diesel laundering and the illegal activities that are unfortunately so predominant in the Border areas. I know the Revenue Commissioners are introducing additional measures and I hope the Minister will give them every support possible in order to deal with those illegalities, whereby the Minister is losing revenue and local authorities in Louth, Monaghan, Cavan and Donegal in particular incur an additional cost in cleaning up after

that illegal activity. Whatever additional measures are needed to deal with those sophisticated operations, I urge the Minister to introduce them and to assist the Revenue Commissioners in this regard.

**Deputy Michael Noonan:** It did not start this year.

**Deputy Brendan Smith:** I appreciate that but it is getting more sophisticated. I am not blaming the Minister. I am trying to help him get more taxation.

**Minister for Finance (Deputy Michael Noonan):** I welcome the opportunity to speak on the Government amendment, which is focused on the important measures the Government can take to assist further small and medium size enterprises. Initially, I would like to focus on a key factor with which Fianna Fáil may not be familiar, the importance of political stability on economic confidence and growth. Political stability is a key factor within the Government's control which can assist economic growth and the business sector. Last year was the first year of economic growth after three years of economic contraction. Fine Gael and Labour are united in our core objectives of returning this country to growth and creating jobs for those who have been so badly affected by this economic crisis. Obviously, both parties have our own unique political positions, but we have an agreed programme for Government and we come to a shared Government position on issues in the best interests of the people of Ireland.

Despite the global economic downturn, Irish exports are still performing well. The services sector is leading the way, up 8% year on year in the second quarter. Foreign multinationals and global indigenous firms are continuing to invest and reinvest in Ireland. The recent announcements from the Kerry Group and the Paddy Power Group are a vote of confidence in the economy of the country, and this vote of confidence is by some of our own, which have now become multinational companies and yet choose Ireland to continue as their base. The success of our exports owes much to the significant competitiveness gains which have been achieved in recent years, and these gains are still ongoing. The European Commission is predicting Irish unit labour costs to improve by approximately 22% compared to the euro area over the period 2009 to 2013. The Government's business development agencies are working to assist SMEs that want to move into exporting. The foreign earnings deduction in last year's Finance Bill is a very good example of the assistance we can provide to companies which want to build export markets. The attraction of additional foreign direct investment jobs to Ireland is an essential support for driving the SME sector.

SMEs are the backbone of the domestic economy and the Government is acutely aware of the role the SME sector has to play in driving growth in the domestic economy. The Government is dealing with the employment challenge by delivering significant policy responses to provide a framework for SMEs and other companies across the country. These include the following: Pathways to Work, the Government's labour market activation strategy; the Action Plan for Jobs, which is designed to put in place the framework for job creation in all areas of the economy over the lifetime of this Government; the temporary partial credit guarantee scheme, which aims to provide credit to job-creating SMEs which currently struggle to get finance from the banks; and the SME lending targets of €21 billion over three years.

It is crucial that we continue to take steps to bring our public finances under control. Given the level of Exchequer spending on social welfare income support payments, it is incumbent on the Government and the Minister, Deputy Burton, to assess critically expenditure for her Department and, therefore, the issue of statutory sick pay also arises for consideration in that

context. While no formal proposal on the introduction of a statutory sick pay scheme has yet been brought to Government, in any consideration of statutory sick pay there are a number of factors at play, including Exchequer savings, and these need to be balanced against the pressures to remain competitive in this challenging domestic and international marketplace being faced by SMEs. I know the Ministers, Deputies Burton and Bruton, are fully aware of the employers' concerns and the financial impact on employment costs and, by extension, unemployment levels if statutory sick pay were to be introduced, as well as the impact of this cost on SMEs in particular.

In conclusion, I assure the House that all the aspects of the budget will reflect the key role SMEs play in Ireland's economic future. We are actively working on measures for inclusion in the budget that will assist growth in the sector. We are also working to ensure the necessary fiscal adjustment impacts as little as possible on SMEs. We are acutely aware of the essential role SMEs play as drivers of employment creation across the country.

**Deputy Seamus Kirk:** I thank Deputy Calleary for providing me with the opportunity to make a contribution on this important issue that has been swirling around in the political arena for some time. To paraphrase, the Minister, Deputy Burton, said two months ago that middle Ireland cannot take any more. As some of the previous speakers have indicated, there are approximately 200,000 small businesses employing over 650,000 people in the economy. In 2010, employers paid €5 billion or 75% of the total contribution to the Social Insurance Fund. Cost competitiveness is a vital ingredient for every company's success. Imposing an additional €89 million in taxation on struggling businesses with a new sick pay scheme will devastate small and medium size employers and they will be driven out of business.

The Government's record on tackling rising costs for businesses is not good. The reality is that if we are going to create employment in this country, the issue of cost competitiveness is vital. Some progress has been made but more needs to be made to ensure that, when the hoped-for lift in the eurozone and the world economy materialises, we will be in a position to avail of it.

In sectors such as retail and hospitality, employee costs account for 60% of overall costs. Job losses will be an inevitable outcome if this proposal is implemented in the budget. It is calculated that the average number of days lost per annum in the public sector in recent years was 12, four times the three days lost in SMEs. That statistic speaks for itself and indicates clearly where action needs to be urgently taken.

Under this proposal, businesses will take a three-way hit. They will be paying PRSI, paying sick pay and paying wages to cover the cost of replacement employees. Unfortunately, the proposal smacks of ideological prejudice of the worst kind. More SMEs will fold, with consequent unemployment for many people. Indeed, in a recent press release, IBEC calculated that the job losses could be in the region of 3,500. Frankly, that number of job losses in the economy at this time, with so many people unemployed, removes the justification for the imposition of a new statutory sick pay arrangement. I am pleased the Minister for Finance is present in the Chamber for this evening's debate because, ultimately, he will be the one to take the decision on the matter. The introduction of a sick pay scheme would be the wrong thing for the economy at any time. We must get cost-competitiveness right for the business sector to allow it to fulfil its role of job creation, in addition to running its businesses, for the many people who are available to take up such work.

**Deputy Dara Calleary:** I thank my colleagues, both on this side of the House and on the other side for their outright support, and in many cases tacit support for the motion last night and tonight. Some Deputies referred this evening to the motion being slightly premature. The difficulty is that this process, according to the Minister, Deputy Burton's idea of consultation, began in 2011. She floated the idea ahead of last year's budget and it is still floating around prior to the forthcoming budget. She had formal meetings in February and it is now the end of October, coming into November. The biggest issue facing business at the moment, among all the other challenges, is the complete lack of certainty in the economy. There is very little we can do, given the international situation and the domestic situation but when a Minister decides to play poker with SMEs as the Minister, Deputy Burton, is doing, that adds to the uncertainty. I hope we have brought the issue to a head this evening. I would like to think she, in particular, would learn from the debate and the fact that her partners in government are slightly sceptical of her views, and that she would put an end to the consultation and make a decision one way or the other.

I noticed all the Labour Party contributions were from first-term Deputies, all proclaiming that the Minister, Deputy Burton, is some form of economic guru. Those Deputies who were in the previous Dáil and had to listen to her as spokesman on finance did not quite sign up to that fan club this evening. Some Labour Party members were quite sensitive. Deputy Nash in particular was sore that we would raise this issue and seek to attack the Minister, Deputy Burton. I can but refer all those sensitive Labour Deputies to one of their own, Senator Whelan, who was quoted in the *Irish Examiner* – he did not even wait to go into the Chamber – as saying that he cautioned the Minister against making employers pay more PRSI and become responsible for sick pay. He said such measures could push many small and medium enterprises over the edge. Perhaps in adding their firepower to the debate those Labour Deputies and Senators would do well to listen to Senator Whelan who represents SMEs in his constituency.

In the presence of the Minister of State, Deputy Perry, I acknowledged yesterday evening that some good initiatives have been taken by the Government. I welcomed the credit guarantee scheme and the microfinance scheme as well as some of the other initiatives that have been taken. One of the difficulties is that there is still no one place to go, in effect, a one-stop-shop. I accept the Minister of State is in the process of implementing such an approach. There is difficulty in getting the information out there. The difficulty with all of the initiatives the Minister of State, Deputy Perry, has taken in the Deputy of Jobs, Enterprise and Innovation and those taken by the Department of Finance, is that although they have put a small but fragile foundation onto a recovery, "Hurricane Burton" is on the loose again. If she gets away with putting what she agrees is an €89 million burden on SMEs then the foundation will be swept away in one fell swoop.

As I said last night, she has form. The way she implemented the change in redundancies was absolutely disgraceful. It is impacting on small businesses right across the country. One only has to look at the Chambers Ireland survey for confirmation. Deputy Nash just dismissed it. He was disappointed with the survey because he did not like the message. The Chambers Ireland survey showed that the redundancy decision had a negative impact on 60% of respondents. The Minister assured me in the House in January 2011 that it would not impact on SMEs. She said it was directed at the big companies going to low-cost locations. We agree with that approach, but when I tabled a parliamentary question seeking the breakdown of company by size – companies with fewer than 50 employees, 50 to 100 employees, and so on, that had received redundancy rebates - the Minister said the information was not available in the Department.

I agree with those Fine Gael speakers who sought a fact-based analysis on the sick pay scheme. The Minister does not seem to have many facts at her disposal, or if she does she is not willing to use them. Let us have a debate on a fact-based analysis and publish the Forfás report that was commissioned by the Minister for Jobs, Enterprise and Innovation, Deputy Bruton, last year. The report is in the Minister's office but he refused to publish it. We want a fact-based debate that will allow us to put forward costed alternatives. Labour Deputies, and Sinn Féin Deputies who have become economically responsible in the past seven days, want to see alternatives. The former Minister, Deputy Ó Cuív, who was in the Department set out good ideas last night. If we are to have a fact-based debate then the Minister must publish the report that the Government's own economic think-tank carried out on the scheme. It showed the negative impact it would have on employment and SMEs.

Those of us in the previous Dáil were treated to the hysterics of the Minister, Deputy Burton, on a weekly basis on the state of the country. Now she is being hailed as a guru and we must listen to her. She has had a Pauline conversion. The most extreme example of that would have shocked even St. Paul when last night she wrapped the flag of Seán Lemass around her. On a number of occasions last night she cited him as one of her inspirations. She said that Seán Lemass would never do certain things. He would never crucify the enterprise sector in the way she has done already, and if she gets away with it will do so again.

I am pleased the Minister for Finance, Deputy Noonan, contributed to tonight's debate. Until he spoke, the impression was given to the House by the Minister for Social Protection last night that she was dead intent on pursuing her policy on sick pay. I am pleased the Minister for Finance is present. I take hope from his remarks that the voice of reason will prevail within Cabinet. Nobody who acclaimed the legacy of Seán Lemass in the manner in which the Minister, Deputy Burton, tried to do could be deaf to the rumblings from a graveyard in north Dublin last night. The Minister would destroy and crucify the enterprise sector, first with redundancy rebates and now by forcing a sick pay scheme on it. That is what the Minister plans to do. I do not know whether she just does not understand the SME sector, if she is not interested in understanding it or whether she wants to wrap the red flag of Labour around her and show that she is more socialist than some others within the Labour Party and get all those first-term Deputies to vote for her in a leadership election, but she did admit last night that €89 million is what she thinks her proposed sick pay scheme would cost. It will probably cost a lot more. She just threw it out there as a figure that would be contributed to the cost of the social insurance scheme.

We must have a debate on absenteeism. We must have a debate on the proposed scheme and the social insurance fund. That is why we should publish the report. Where does the Minister think the €89 million will come from, some magic pot at the end of the Labour rainbow? I think not. It will come from Irish business. The Minister for Finance was correct to cite the reduction in labour costs that have been achieved through much hard work and tough decisions, and on the back of many workers in both the public and private sectors. However, if one lumps a minimum cost of €89 million on top of those labour costs then many of the gains in terms of the cost of employment in this country will be lost and the graph will fall back.

The motion is about certainty. Irish businesses and SMEs must know where they stand. I was contacted today by a business in the mid-west which eventually managed to get bank funding and which was on the verge of setting up a business to employ 15 staff. Those involved did not wait for the IDA to come to the mid-west. However, the company has parked its proposal until it sees the budget and, more important, what cost the scheme will impose on it.

Consultations have been ongoing for a year. The Minister for Social Protection, Deputy Burton, has been talking to herself on the matter probably for a lot longer. It is time to end the consultations and to make a decision so that at least the SME sector and the business sector in this country know where they stand. If sense prevails, and I suspect if the views of the Minister for Finance, Deputy Noonan, the Minister of State, Deputy Perry, the Minister for Jobs, Enterprise and Innovation, Deputy Bruton, and the Minister for Agriculture, Food and the Marine, Deputy Coveney, prevail, and this madness does not proceed then companies will be able to employ people and grow jobs, which despite our differences is what every single one of us in this House want to happen. They will be able to build on the foundations the Government has introduced, which I have acknowledged, and not have to worry that “Hurricane Joan” is going to destroy their legacy and ability. That is why we brought this debate to the House tonight. I hope the Minister for Finance will go back to Cabinet and put an end to this madness.

*9 o'clock*

Amendment put:

The Dáil divided: Tá, 70; Níl, 45. Tá Breen, Pat. Broughan, Thomas P. Burton, Joan. Butler, Ray. Buttimer, Jerry. Byrne, Catherine. Carey, Joe. Coffey, Paudie. Collins, Áine. Conaghan, Michael. Conlan, Seán. Connaughton, Paul J. Conway, Ciara. Corcoran Kennedy, Marcella. Coveney, Simon. Creed, Michael. Daly, Jim. Deasy, John. Deenihan, Jimmy. Donohoe, Paschal. Dowds, Robert. Doyle, Andrew. Durkan, Bernard J. English, Damien. Feighan, Frank. Fitzpatrick, Peter. Flanagan, Charles. Flanagan, Terence. Griffin, Brendan. Hannigan, Dominic. Harrington, Noel. Harris, Simon. Heydon, Martin. Humphreys, Kevin. Keaveney, Colm. Kehoe, Paul. Kelly, Alan. Lawlor, Anthony. Lynch, Ciarán. Mathews, Peter. McCarthy, Michael. McHugh, Joe. McLoughlin, Tony. McNamara, Michael. Mitchell O'Connor, Mary. Murphy, Dara. Murphy, Eoghan. Nash, Gerald. Neville, Dan. Nolan, Derek. Noonan, Michael. Nulty, Patrick. Ó Ríordáin, Aodhán. O'Donnell, Kieran. O'Donovan, Patrick. O'Mahony, John. O'Sullivan, Jan. Perry, John. Phelan, Ann. Phelan, John Paul. Rabbitte, Pat. Ring, Michael. Sherlock, Sean. Spring, Arthur. Stagg, Emmet. Stanton, David. Timmins, Billy. Tuffy, Joanna. Walsh, Brian. White, Alex. Níl Adams, Gerry. Boyd Barrett, Richard. Browne, John. Calleary, Dara. Collins, Niall. Colreavy, Michael. Cowen, Barry. Crowe, Seán. Daly, Clare. Doherty, Pearse. Donnelly, Stephen S. Dooley, Timmy. Ellis, Dessie. Ferris, Martin. Flanagan, Luke 'Ming'. Fleming, Sean. Fleming, Tom. Grealish, Noel. Halligan, John. Healy, Seamus. Healy-Rae, Michael. Higgins, Joe. Kelleher, Billy. Kirk, Seamus. Kitt, Michael P. Lowry, Michael. McConalogue, Charlie. McGrath, Mattie. McGrath, Michael. McLellan, Sandra. Moynihan, Michael. Murphy, Catherine. Naughten, Denis. Ó Caoláin, Caoimhghín. Ó Cuív, Éamon. Ó Fearghaíl, Seán. Ó Snodaigh, Aengus. O'Brien, Jonathan. O'Dea, Willie. O'Sullivan, Maureen. Pringle, Thomas. Ross, Shane. Smith, Brendan. Stanley, Brian. Wallace, Mick.

Tellers: Tá, Deputies Emmet Stagg and Paul Kehoe; Níl, Deputies Michael Moynihan and Seán Ó Fearghaíl.

Amendment declared carried.

Amendment put:

The Dáil divided: Tá, 70; Níl, 45.	
Tá	Níl

Breen, Pat.	Adams, Gerry.
Broughan, Thomas P..	Boyd Barrett, Richard.
Burton, Joan.	Browne, John.
Butler, Ray.	Calleary, Dara.
Buttimer, Jerry.	Collins, Niall.
Byrne, Catherine.	Colreavy, Michael.
Carey, Joe.	Cowen, Barry.
Coffey, Paudie.	Crowe, Seán.
Collins, Áine.	Daly, Clare.
Conaghan, Michael.	Doherty, Pearse.
Conlan, Seán.	Donnelly, Stephen S..
Connaughton, Paul J..	Dooley, Timmy.
Conway, Ciara.	Ellis, Dessie.
Corcoran Kennedy, Marcella.	Ferris, Martin.
Coveney, Simon.	Flanagan, Luke 'Ming'.
Creed, Michael.	Fleming, Sean.
Daly, Jim.	Fleming, Tom.
Deasy, John.	Grealish, Noel.
Deenihan, Jimmy.	Halligan, John.
Donohoe, Paschal.	Healy, Seamus.
Dowds, Robert.	Healy-Rae, Michael.
Doyle, Andrew.	Higgins, Joe.
Durkan, Bernard J..	Kelleher, Billy.
English, Damien.	Kirk, Seamus.
Feighan, Frank.	Kitt, Michael P..
Fitzpatrick, Peter.	Lowry, Michael.
Flanagan, Charles.	McConalogue, Charlie.
Flanagan, Terence.	McGrath, Mattie.
Griffin, Brendan.	McGrath, Michael.
Hannigan, Dominic.	McLellan, Sandra.
Harrington, Noel.	Moynihan, Michael.
Harris, Simon.	Murphy, Catherine.
Heydon, Martin.	Naughten, Denis.
Humphreys, Kevin.	Ó Caoláin, Caoimhghín.
Keaveney, Colm.	Ó Cuív, Éamon.
Kehoe, Paul.	Ó Fearghaíl, Seán.
Kelly, Alan.	Ó Snodaigh, Aengus.
Lawlor, Anthony.	O'Brien, Jonathan.
Lynch, Ciarán.	O'Dea, Willie.
Mathews, Peter.	O'Sullivan, Maureen.
McCarthy, Michael.	Pringle, Thomas.
McHugh, Joe.	Ross, Shane.

*Dáil Éireann*

McLoughlin, Tony.	Smith, Brendan.
McNamara, Michael.	Stanley, Brian.
Mitchell O'Connor, Mary.	Wallace, Mick.
Murphy, Dara.	
Murphy, Eoghan.	
Nash, Gerald.	
Neville, Dan.	
Nolan, Derek.	
Noonan, Michael.	
Nulty, Patrick.	
Ó Ríordáin, Aodhán.	
O'Donnell, Kieran.	
O'Donovan, Patrick.	
O'Mahony, John.	
O'Sullivan, Jan.	
Perry, John.	
Phelan, Ann.	
Phelan, John Paul.	
Rabbitte, Pat.	
Ring, Michael.	
Sherlock, Sean.	
Spring, Arthur.	
Stagg, Emmet.	
Stanton, David.	
Timmins, Billy.	
Tuffy, Joanna.	
Walsh, Brian.	
White, Alex.	

Tellers: Tá, Deputies Emmet Stagg and Paul Kehoe; Níl, Deputies Michael Moynihan and Seán Ó Fearghail.

Question declared carried.

**Prospects for Irish Economy: Statements (Resumed)**

**Deputy Paul J. Connaughton:** While Ireland continues to spend more than it takes in, the

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task ahead for the Government is very difficult as we seek, through a combination of increased taxation and cuts in expenditure, to balance the nation's budget. This is a necessity to get the country back on track. Considerable progress has been achieved to date in steadying the ship of State. There are indications of modest growth in GDP of 0.7% and given the significant deterioration in the economies of many of our trading partners, this success has been achieved in the face of strong headwinds. In 2010 the State deficit amounted to 10.6% of GDP. The aim is to bring this figure down to 8.6% this year, with the overall aim of bringing it below 3% by 2015.

We are all too well aware of the role played by the banking collapse in the economic course of recent Irish history. It was some time before the full brunt of the imploding property market was fully felt in banking circles. That implosion has resulted in bank recapitalisation which to date has cost the State €64 billion. The difficulty experienced in the banking system was not, however, solely an Irish phenomenon. There is now a European-wide realisation that a way has to be found to break the link between sovereign nations and the banks. It is imperative that such assistance is made available to every country experiencing difficulties.

The people have worked hard to uphold our side of the bailout bargain. There have been real and measurable achievements. I compliment the Taoiseach on his efforts over the weekend to ensure the Irish efforts would be recognised at European level and that we would achieve our just rewards with a breaking of the link between sovereign and banking debts. There has been much speculation surrounding this topic. Given the difficulties being experienced throughout the country, it is becoming increasingly imperative that the negotiations at European level and the many high level meetings are translated into a measurable and advantageous deal which would greatly help the economic sustainability of the country. It would provide hope the problem could in time be overcome.

The country is facing one of its toughest budgets. There has been much talk of low-hanging fruit, but that is just a distant memory. Each and every expenditure cut will have to be made and will be felt throughout the country. I fully respect the fact that the Minister for Finance, Deputy Michael Noonan, and his officials are tasked with making these very difficult decisions. However, it is imperative that this be done in the fairest way possible. When it comes to increasing the tax take, those who can afford to pay more will have to pay more. Even in these desperate economic times, we have choices. I suggest two groups, in particular, need to be shielded from the harsh cuts. These are people with intellectual disabilities and those with severe physical disabilities, particularly those in receipt of a home help service. Cuts to the budgets of various organisations dealing with people with intellectual disabilities have been steady and deep in recent years. This year there was an impasse when parents of school-leavers with intellectual disabilities were left in limbo as to what would happen to the children in September and whether sufficient places would be funded. Further cuts will directly impact on the ability of these groups to deal with school-leavers next year. Over time this could result in a complete erosion of essential services for people with intellectual disabilities.

Consistent cuts in funding for the home help scheme have left these workers in a terrible position. As the end of the year looms, the pressure on those working in the service is increasing, as there is an attempt to stay within budget. However, sickness and ill health are no respecter of calendar years and people with palliative care needs are as likely to be discharged in November as in January. These are but two areas which must be shielded from cuts at all costs in what will be the harshest budget the country has ever experienced, given that it will follow steady and deep cuts in recent years. The rationale behind the protection of these two areas is self-evident. Families of elderly persons and people with intellectual disabilities worry about the future of

their loved ones as the budget looms. Those working with people with intellectual or physical disabilities must also be remembered, as the cuts to date have already made their working lives infinitely more difficult as they seek to work from day to day with ever dwindling resources.

The country has shown that it is willing to work through its issues and problems. We need to get a deal from the European Union. The Taoiseach has said it is not the speed of a deal that matters but rather its quality. We passed the fiscal compact treaty and have shown that we are willing to work within the programme. It is time we were given a deal on the bank debt, one that would give the people the confidence to look forward in order to get back on track.

We should acknowledge the sectors of the economy which are doing well. I know unemployment levels are high, but the agriculture sector is doing very well and has the potential to create more jobs. I expect the budget to be pro-jobs. We will get out of this mess. We will have to face one or two tough years, but we need to be positive because the people outside this House expect that from us. We will deal with the harsh decisions and must lead from the front. The European Union has an important role to play in this regard.

**Deputy Tom Fleming:** The economic challenges confronting Ireland in restoring economic stability and returning to a sustainable path of economic growth are the most daunting we have faced for a generation. More than ever, enhancing our competitiveness is vital, even more so in the face of international economic uncertainty and given the possible risk of a downturn in some of our main markets. Improving export performance has been our only source of economic growth and will remain essential to achieving the recovery needed to work our way out of our economic and social difficulties.

There is evidence that competitiveness is helped by improved costs, productivity, education services, investment in infrastructure and research and development. However, these improvements are not happening quickly enough to help the prospects of thousands who need jobs. Decisive and calculated actions are required to create an environment in which business can flourish, job creation can become a reality and exports can continue to grow. Small firms are central to the plan for national recovery. It is essential that the necessary supports be provided to ensure the viability of almost 200,000 of these firms which provide employment for up to 500,000 people. One must also take into account another 100,000 who are proprietors and family members directly engaged in businesses, although they may not draw a fixed wage or salary. These figures combined mean approximately 600,000 people are involved in the small and medium business sector.

Market demand is fundamental to the success of small and medium businesses and the vitality of the domestic market is critical. Recent evidence on consumer spending suggests many people are being forced to save owing to personal debt, while those who have disposable income are not spending in these times of economic uncertainty. Retail sales continue to fall and consumer sentiment continues its downward trend. People are worried about their employment prospects, the impact of the next budget, mortgage interest rates and so forth. A lack of credit, high energy costs, rates and general overheads are compounding the difficulties facing small and medium businesses. Government intervention to address the obstacles they face is required urgently. It is imperative that immediate action is taken on all these issues.

Ireland's development model in the 1970s, 1980s and 1990s was driven by foreign direct investment. This form of industrial and economic development worked well and delivered high quality employment and significant export growth. Future reliance on the foreign direct

investment model of development is becoming more uncertain owing to global factors such as the massive investment by the United States in Asia and the relocation of many viable companies from Ireland to low wage countries. We will have to refocus on indigenous sectors that demonstrate global potential, agrifood being the most obvious. Ireland is also strong in the area of the arts and cultural tourism. The general tourism product is not being capitalised on and its potential remains substantially underdeveloped.

We must focus on research and development in areas such as food, health, education and energy. Ireland is well placed to take advantage of the potential to generate renewable energy and we have begun to take advantage of conditions along the Atlantic coast to generate wind power. Last year, Ireland set a new wind energy record when 1,284 MW of wind generated electricity was exported to the national transmission system. While still in its infancy as an industry, we have all seen studies showing the potential that Atlantic wave energy could deliver. Ireland is well on its way to meeting its new renewable targets through its wind power initiatives, but greater rewards could be gained from such developments. For example, the export market offers significant potential, including a project being developed by EirGrid to export excess renewable energy to the United Kingdom through the Irish Sea interconnector. The UK uses more than ten times as much electricity as Ireland and has also set renewable targets. Clearly, therefore, a project to export renewable energy from Ireland to Britain would be mutually beneficial.

The Government must review the education system, with a view to catering for increased demand for people with information technology skills and IT jobs in general. Approximately 1,000 workers were recruited from abroad last year to fill information technology jobs, some of which pay salaries of up to €70,000 per annum. This means more than one quarter of new IT jobs are being filled by people recruited outside the country. An analysis of figures from the Department of Jobs, Enterprise and Innovation shows the number of new employment permits issued to staff to work in the information technology industry soared to 932 last year compared to only 551 in 2010. These figures do not take account of staff hired in the European Economic Area, which includes the European Union and countries such as Iceland, Liechtenstein and Norway, whose citizens are entitled to move freely and do not require employment permits.

The Government and its agencies should vigorously pursue initiatives to attract and upskill workers to enter technology careers. Current programmes such as the Springboard ICT scheme are not being fully utilised. The one year, full-time higher diploma conversion programme run by the Higher Education Authority and the graduate skills conversion programme, which is focused on non-ICT candidates, should also be developed. Companies have available to them a State supported programme, the ICT Ireland Skillnet training network, which assists in providing training for employees. We must redouble our efforts to ensure the skills required for the jobs market are available. It is also important to cater to the needs of many innovative employers.

I referred to agrifood. The recent announcement by the Kerry Group of a major investment in a new plant in County Kildare demonstrates the potential of our agrifood and dairy sectors. The investment will create 1,000 new jobs in addition to 400 jobs during the construction stage. I am sure a number of other progressive indigenous companies will make similar contributions to the recovery of the economy. It is unfortunate, however, that the Kerry Group, which was nurtured from its infancy in County Kerry with the support of Kerry people, has not located many jobs or made many investments in County Kerry for some years. I am aware its plant in Listowel is doing well and it also has an administration office in Tralee and several supply

outlets located around the country. I ask the Minister of State, Deputy White, to convey to the Minister and the Minister of State at the Department of Jobs, Enterprise and Innovation, Deputies Richard Bruton and John Perry, that County Kerry is a major jobs blackspot and the problem needs to be addressed.

The aquaculture aside of the food sector shows great potential. I recently tabled a priority question to the Minister for Agriculture, Food and the Marine, Deputy Simon Coveney, on this issue. The Minister has a major vision for the food industry along the coastline. Many of the applications for aquaculture licences in bays and harbours remain to be processed, however, and commercial producers must also complete the licensing system. The current process must be expedited. If each of the 600 applications for licences by commercial producers were to produce 20 jobs, some 12,000 jobs could be created. When one adds to this figure the many other jobs that could be created in the other sectors to which I have referred, it becomes clear that we can move forward positively.

**Deputy John Paul Phelan:** I congratulate my former colleague from Seanad Éireann, the Minister of State at the Department of Health, Deputy Alex White, on his recent appointment. I have not spoken in the House since the announcement was made and wish the Minister of State the best of luck. I know he will bring great rigour to his important function in government. During this time in the Seanad, he was involved in many discussions on economic matters, especially during the time of the bank guarantee and the arrival of the troika on our shores. He understands these matters and I am glad he is here to listen to the debate.

I want to make a number of points in the limited time available to me. I begin by emphasising that, despite some of the media commentary and the analysis by many people who are termed as experts, significant progress has been made in certain sectors of the economy even in the 18 months since the change of Government. One of the strongest statistics is on the area of employment in the private sector which indicates that slightly under 17,000 additional people are working in the private sector in the 18 months since the change of Government, which is a significant figure. Obviously, it is one we would like to see grow substantially in the coming months but it is something that is often forgotten in the general discussion that has taken place on economic matters in recent months in particular.

There have been also significant indicators that those outside of our shores believe the Government has got to grips with the country's economic difficulties. The most obvious indicator of that is that nine year bond yields are at a figure now which is approximately one third of where they were 18 months ago. That is a significant external indication that those people who consider lending to and investing in Ireland may have a more positive view of our outlook than we have and certainly than we often hear represented in the analysis of some experts in this country.

Other significant improvements have been made by the Government. I get somewhat disheartened when I hear members of the Fianna Fáil Party in particular go to great pains to state that since they went into opposition the Government would not be able to renegotiate certain aspects of the memorandum of understanding with the troika. Significant progress has been made in that area, not least the decision to reverse the cut in the minimum wage, which was one of those tokenistic gestures in which the previous Government engaged. Between 2% and 3% of the population are employed on the minimum wage but they were singled out for sacrifice by the previous Government. I am glad that through the efforts of the two Ministers working in the finance area, and the Taoiseach and the Tánaiste, that change was made. I am also glad the

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Government achieved a significant reduction in the cost of our borrowing over what was agreed by the previous Government. There was a saving in the region of €10 billion with regard to the changes achieved in the interest rates for the funding of which we are having to avail, which is a significant reduction and significant for the taxpayer.

On the matter of banking debt, we were all pleased with the announcement last June from the Heads of Government meeting that a special case was being made for Ireland regarding our banking debt. There was some disappointment, to put it mildly, on all sides, not least on the Government back benches and myself personally, as a result of the actions in particular of the finance Ministers of Finland, the Netherlands and Germany who had a private meeting at which they appeared to renege on that commitment. There was also some confusion following the Council meeting last week as a result of what some people claim were difficulties with translation. I am not sure what happened but I am glad the Taoiseach and the German Chancellor clarified the position over the weekend that Ireland's situation is being viewed as a different case and that negotiations continue in that regard to ensure the two aspects of our banking debt, namely, the promissory notes and the recapitalised investment into the other banking institutions, are being renegotiated continuously. I wish the Minister and the officials in the Department success in those negotiations because it is imperative not just for the economic recovery of the country but for the self-belief and motivation of the general population that this yoke of debt that was placed upon ordinary taxpayers by the previous Government in its ludicrous decision to nationalise Anglo Irish Bank, and therefore nationalise its debt, and negotiate an arrangement which had fairly punitive interest rates is lifted as it has had a significantly demoralising effect on people. I do not underestimate the job of the Minister and his officials in renegotiating what was agreed by the previous Government but it is important that it is successful, and the announcement following the discussion between the Taoiseach and the Chancellor on Sunday was positive in that regard.

Significant progress has been also made on our level of exports and balance of payments. In the early days of the Celtic tiger up to 2002 we prided ourselves on our very good figures in that regard but post-2002 our economy was based on a property bubble. The previous Government became subsumed hook, line and sinker in the belief that that property bubble would continue and that its success would roll on indefinitely into the future. It built up public expenditure on the back of taxes that were unsustainable. What we have seen in recent years is a reduction in very important public services simply because the tax revenues from that property source have collapsed. That has resulted in much pain caused to ordinary families across the country, something that we all must acknowledge. It was through the unsustainable head-long promotion of property that those revenues were built and many people at the time, contrary to some of the coverage since, raised the issue with regard to our property market and the sustainability of tax revenues from that source. I recall raising it in the Seanad about seven or eight years ago when Charlie McCreevy was the Minister for Finance and I was the Fine Gael spokesperson for finance but there was a general attitude, best given by Mr. Ahern when he was Taoiseach which was dismissive, to say the least, of people who questioned whether those sources of funding could continue into the future.

I emphasise an issue I raised last year. I am aware there are ongoing discussions within the Minister's Department with a view to introducing minimum pricing for alcohol. I want a much more effective method of gathering revenue, although whether it would be effective from a health angle is open to question. Under our licensing laws more than 50% of alcohol is sold in the off-licence trade, yet people who have a licensed premises are charged a licence fee based

on their turnover. However, the large multiples which sell millions of euro worth of alcohol - most of the alcohol that causes the binge drinking problems about which we are all rightly concerned - pay a flat rate fee of €500 for a beer licence, €500 for a wine licence and €500 for a spirits licence. I am not saying the rates should be equalised between the on and off-licence trade but a licensing system based on turnover for the off-licence trade, in particular the large multiples, would generate revenue as well as increase the price of leading alcohol products which are on the shelves of our multiples.

**Deputy Jonathan O'Brien:** The Minister of State will agree that when the Government took office there was a real sense of hope that the changes promised by both the Labour Party and Fine Gael prior to the election would herald a change in the economic direction this State was taking. There is no doubt that the challenges facing the Government are significant, and no one will underestimate these. Our economic sovereignty has been handed over to outside forces by Fianna Fáil, a fact we should never forget. Some of the individuals who sit on the Fianna Fáil benches and lecture us in the Chamber are the very people who ruined this economy, bankrupted the State and drove large numbers of our citizens into poverty. Now they speak as if they had been sitting on the Opposition benches for the past 14 years. They take no responsibility for what they have done. As far as I am concerned, they have no morals, integrity or credibility. They implemented policies to serve their own selfish political agenda and for no other reason, a fact we should never let them forget. Some Fianna Fáil members who have left the House live on huge pensions while the policies they implemented have forced many of our people into income poverty, mortgage debt and tough decisions over whether to put food on the table or pay an electricity bill. That is Fianna Fáil's legacy. Some of its Members who preach to all sides in the Chamber should take a long hard look in the mirror and think before they open their mouths.

As we now approach the second budget of this Fine Gael-Labour Party Government, people are beginning to lose hope that it will bring about the changes it promised. Some commitments in the programme for Government have already been reneged on, such as that of tackling upward-only rent reviews. The longer this goes on, the more despondent people become. It is the responsibility not just of the Government but of the Opposition to put forward credible alternatives and give those suffering in our society some sense of hope.

Most countries that go through a recession recognise the importance of education and will protect funding for the sector. They recognise it has a key role in the recovery of any economy and in ensuring young people and those on the dole are given the skills and training to get them into employment and contribute to economic recovery. The Minister of State will be aware there was a protest earlier today outside Leinster House by several teacher unions at which they voiced their concern and disgust at the number of cuts to the education sector in previous budgets. The change to the income of new-entrant teachers is having a detrimental effect on morale. Many of them are now faced with the prospect of earning significantly less than teachers who entered the profession two years ago. Given that these are the individuals we are asking to assume responsibility for educating the next generation of citizens upon whom we will rely for recovery of the economy, it is a shame the Government has seen fit to target their incomes. It is a detrimental step and one for which we will suffer in the longer term. It also shows the lack of importance of education for the Government.

For the forthcoming budget, the Minister for Education and Skills has said up to €77 million will have to come out of the education budget. Over the next two years, the total reduction will come to €147 million. This figure excludes cuts announced in last year's budget, such as

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the multi-annual reduction in capitation grants. These types of cut will impact on the quality of education provided in our schools and universities. There is no way of skirting around this issue. The Minister of State, Deputy Alex White, will agree with that, although he may not say it publicly. The Minister for Education and Skills has said he is doing everything he can to ensure front-line services are protected. However, it is just not possible to take that amount of funding out of an education budget without affecting front-line services or the quality of education provision. I have no doubt the Minister has a tough job and is facing some significant challenges in the sector. However, it is not just his responsibility to protect education. It is the responsibility of all members of the Cabinet to put a special emphasis on the protection of the education budget. That is the budget that has a potential impact on our opportunity to regain our economic sovereignty.

Schools are now being forced to ask parents, who are already facing really hard choices in their own personal finances, for voluntary contributions to balance their budgets due to cuts to capitation grants. I have seen letters from schools, particularly primary schools, in Cork asking parents for their children to bring in basic essentials such as toilet roll and hand-wash. They are also asked to take home unfinished lunches and parings from pencils because the schools cannot afford to empty their bins. I implore the Government to ensure the education budget is protected in the forthcoming budget. If the planned cuts of €77 million go ahead, there is no doubt the cost of sending kids to school will increase, and this cost will have to be borne by already hard-pressed parents struggling to make ends meet. It should be remembered they will also face cuts in other areas such as social welfare. I hope the Minister of State will highlight to his party colleague, the Minister for Education and Skills, Deputy Ruairí Quinn, the need to ensure the education budget cuts are tempered as much as possible.

*10 o'clock*

The Dáil adjourned at 10 p.m. until 10.30 a.m. on Thursday, 25 October 2012.