



DÍOSPÓIREACHTAÍ PARLAIMINTE
PARLIAMENTARY DEBATES

DÁIL ÉIREANN

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

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DÁIL ÉIREANN

Déardaoin, 2 Deireadh Fómhair 2014

Thursday, 2 October 2014

Chuaigh an Leas-Cheann Comhairle i gceannas ar 9.30 a.m.

Paidir.

Prayer.

Ceisteanna - Questions

Priority Questions

Government Deficit

1. **Deputy Michael McGrath** asked the Minister for Finance his projection for the deficit for 2014; the adjustment needed to bring the deficit below 3% and 2%, respectively; if a neutral budget will exclude the impact of already announced measures such as water charges; and if he will make a statement on the matter. [37399/14]

Deputy Michael McGrath: The purpose of this question is to establish some baseline data for budget 2015. I should not really have to use a priority question to obtain this information, but, unfortunately, I do because we in opposition are still working from a document that dates from last April. We are relying on the odd scrap of information thrown into the public domain by Ministers who are talking in broad terms about a “neutral budget”. Therefore, I tabled this question to try to establish the baseline position against the backdrop of the improving Exchequer figures and economic data to determine what it actually meant in budgetary terms.

Minister for Finance (Deputy Michael Noonan): The stability programme update, SPU, published in April forecast a deficit of 4.8% of GDP for this year. However, the Deputy should be aware that there have been a number of important changes since April, most notably the performance of taxes and the impact of the European system of national and regional accounts, ESA 2010 statistical reclassification. Cumulative tax revenue was up some €971 million or 4.1% on profile by the end of August. This, coupled with continued expenditure restraint, means that we will over-perform on the 4.8% of GDP forecast by a comfortable margin. The next official forecast of the 2014 deficit will be contained in the White Paper on Receipts and Expenditure which will be published at midnight on Friday, 10 October.

Changes in European statistical standards have led to the upward revision of the level of GDP in Ireland going back a number of years. These were first presented by the CSO in July 2014 and budget 2015 will be the first publication based on the new standard. Overall, GDP in 2013 was revised up by the CSO by €10.7 billion or 6.5%, from €164.1 billion to €174.8 billion. The bulk of the upward revision, some €7 billion, relates to the inclusion of research and development as capital formation. However, other revisions mainly relating to revised estimates for exports and the inclusion of illicit activity have added about €3.7 billion. These revisions have had a small positive impact on growth rates in previous years.

Turning to budget 2015, the Government's overarching fiscal policy continues to be the delivery of a deficit below 3% of GDP. While there are still moving parts, it is expected that this target will be achieved with a broadly neutral budget.

Additional information not given on the floor of the House

The budgetary arithmetic will include the impact of measures already introduced, although it is estimated that there will be a very limited revenue carryover into 2015 as a result of budget 2014 measures. However, it should be noted that the pension levy of 0.6 percentage points is not included in the budgetary arithmetic for 2015. I also make the point that the moneys raised from water charges will be received by Irish Water which, as a commercial semi-State company, will not be a part of general government. As such, these receipts do not count as general Government revenue and, accordingly, will not impact on the deficit.

With regard to achieving a deficit of 2% of GDP, I would normally be able to advise the Deputy that an improvement in the deficit of 1% of GDP equates to a specific nominal change. However, owing to timing factors relating to the submission of macroeconomic forecasts to the IFAC for endorsement and the significant impact of the ESA 2010 GDP uplift, I am not able to provide a definitive figure at this time. At SPU time, an improvement in the deficit of 1% of GDP equated to an improvement in the nominal deficit of €1.75 billion. The quantum of consolidation necessary to deliver this improvement would be dependent on the composition of consolidation measures and their impact on economic growth.

An Leas-Cheann Comhairle: I thank the Minister and call Deputy Michael McGrath.

Deputy Michael McGrath: I would like the Minister to continue with his answer.

An Leas-Cheann Comhairle: I am sorry, but the rules of the House state the Deputy has one minute in which to respond.

Deputy Michael McGrath: The Minister was just about to get to the important part. He has restated what was said publicly, that is, a broadly neutral budget will be sufficient to bring the deficit below 3% of GDP in 2015, which is to be welcomed. As he indicated, statistical reclassification has had an important impact on the opening position, but I can only speak for Fianna Fáil when I say that, as we try to finalise proposals, it is unfortunate that reform of the budgetary process has not happened and that the White Paper on Receipts and Expenditure, setting out the opening position for budget 2015, is to be published only at midnight on the Friday before the budget. Will the Minister elaborate on what he means when he refers to "a broadly neutral budget"? Does it take account of anticipated savings from the early repayment of International Monetary fund loans? Does it take account of the expected €300 million to be raised from domestic water charges? Will the Minister give the House information beyond what is already in the public domain? What is meant by "a broadly neutral budget" and will it lower

the deficit to a little under or well under 3% of GDP?

Deputy Michael Noonan: I cannot announce the budget today or give the base figures the Deputy has requested, but I will give as much information as possible. As Irish Water has been set up as a commercial semi-State company, it will not be part of the general government position; anything paid will go to it - it will not be received by the Exchequer. As the pension levy of 0.6% is not included in the budget arithmetic for 2015, if it is to continue, further provision will have to be made for it.

Deputy Michael McGrath: It is included in the figure of 0.15% for next year.

Deputy Michael Noonan: We would have to add on as much again.

Deputy Michael McGrath: That would be a policy change.

Deputy Michael Noonan: As it was introduced on a four year basis, if it was to continue, further provision would have to be made for it. I think the Deputy suggested a figure of 2%, but the latest figures I have suggest a further reduction of 1% of GDP would be the equivalent of €1.75 billion. If we went from below 3% of GDP to below 2%, a further reduction of €1.75 billion would have to be made. It is a big chunk of money.

The Deputy asked what was meant by a “neutral budget”. It means an opening position where receipts match expenditure on the basis of there being no policy change.

Deputy Michael McGrath: I understand that, as announced last year and enacted, the pension levy will remain in place at 0.15% for 2015. That has been pencilled into the figures.

Deputy Michael Noonan: I was referring to the 0.6% figure - the major levy introduced on the basis of there being a four year cycle. There is no provision for it as a receipt in the figures.

Deputy Michael McGrath: The Minister informed the House that a further 1% reduction in the deficit would mean a fiscal adjustment of an additional €1.75 billion. He has stated publicly today and previously that a neutral budget would bring us below 3% of GDP - the Minister for Public Expenditure and Reform, Deputy Brendan Howlin, has done likewise. However, some estimates indicate a broadly neutral budget would bring us closer to a figure of 2% and these differences are important. Nobody expects the Minister to announce budgetary measures yet, but we expect information on how things stand today as the deficit impacts on all of us in our approach to the budget for 2015.

Deputy Michael Noonan: I am giving the Deputy all the information I can. He will receive the White Paper in the normal way on the Friday before the budget and it will give more precise data for the opening position. It will vary with budgetary changes that will be announced on budget day.

Deputy Stephen S. Donnelly: Is there any way I can come in on this question?

An Leas-Cheann Comhairle: Not until the other questions have been asked.

Budget 2015

2. **Deputy Pearse Doherty** asked the Minister for Finance the scope for tax cuts in budget 2015 and the steps he will take to make sure budget 2015 is a progressive budget. [37263/14]

Deputy Pearse Doherty: My question is broadly similar to the last one as it refers to a progressive budget for 2015 and relates to the definition of a “neutral budget”. There has been much talk of political reform and stroke politics in recent weeks, but the manner in which the budget is being prepared is not good enough. Arming the Opposition with information in order that alternatives can be provided is simply not good enough. Deputy Michael McGrath and I have had to use Priority Questions to elicit information, but we have not received further clarity. The Minister has said a neutral budget means no change in policy, but policy announcements have been made. For example, the student contribution has been raised by €250 to €3,000 this year. Is this included in the arithmetic for a neutral budget as it is now policy? Can it be pulled back? Other measures such those involving capitation cuts and lone parents have already been announced. Are these measures needed to allow for a neutral budget?

Deputy Michael Noonan: The Government’s overarching fiscal policy for 2015 continues to be delivering a budget deficit below 3% of GDP. Delivering this target will take account of the improved performance of the economy and tax revenue. A further factor is the impact of the European system of accounts, ESA, 2010 statistical changes introduced by the European Union.

Regarding taxes, cumulative tax revenue was up some €971 million, or 4.1%, on profile by the end of August. A considerable part of this over-performance against profile will have a positive base effect on forecast 2015 tax revenues. The introduction of the ESA 2010 European statistical standard has led to the upward revision of the level of GDP in Ireland over a number of years. These impacts were first presented by the Central Statistics Office, CSO, in July 2014 and budget 2015 will be the first publication based on the new standard.

Overall, GDP in 2013 was revised upwards by €10.7 billion, or 6.5%, by the CSO, from €164.1 billion to €174.8 billion. The bulk of the upward revisions, €7 billion, relates to the inclusion of research and development as capital formation. However, other revisions, mainly relating to revised estimates for exports and the inclusion of illicit activity, have added about €3.7 billion. These revisions have had a small positive impact on growth rates in previous years. It is expected that the budgetary objective of a deficit of less than 3% of GDP can be achieved with a broadly neutral budget.

The Deputy will be aware that I have stated numerous times that I believe the income tax burden is currently too high in Ireland and that it needs to be reduced. I have also stated that, although it is my intention to alleviate the burden, I can only do so when the public finances allow it. With budget 2015 only two weeks away, I am not prepared to be drawn into speculation on specific budgetary measures at this time. However, I will say that, as part of the normal budgetary preparations, I am examining potential options for changes to the tax system as part of the overall budget package to be agreed by the Government.

Regarding progressivity, Ireland already has a very progressive income tax system in that those on higher incomes pay proportionately higher rates of tax on their incomes than those on lower incomes. It is an important feature of the tax system and one of the factors taken into account in the formulation of tax policy proposals.

The Deputies did not have to table Priority Questions as they could have received this information through written questions on the first day of this term.

Deputy Michael McGrath: That is not the truth. These questions are not being answered.

Deputy Pearse Doherty: I submitted a written question and the Minister answered, but I want to tease it out. He says a neutral budget for 2015 is possible outside outstanding policy commitments. The Tánaiste and Minister for Social Protection, Deputy Joan Burton, yesterday said €750 million of cuts need not proceed, but the Government has already announced some cuts in 2015. We legislated for such cuts in the Finance Bill. I am not asking the Minister for specific details on the budget, but I raise the example of the student contribution which is set to rise by a further €250 to the maximum figure of €3,000 in 2015. Are the other measures that have been legislated for in education and other areas, including social welfare for lone parents, necessary to achieve the neutral budget? Will the savings that accrue from that suite of measures, already announced as Government policy, be necessary for the neutral budget, or are we starting from a point at which the neutral budget is possible without anything that has not taken effect to date taking effect? If we are to have real parliamentary debate and if real alternatives are to be provided, it is important that the Department, through the Minister, give the Opposition information so that we can produce as good an alternative budget as possible.

Deputy Michael Noonan: The answer to the Deputy's question depends on the effective date of the policy change. If the effective date was 2014, the Minister responsible would have to provide for it within the 2014 Estimates by way of savings from elsewhere in the Votes or by way of Supplementary Estimate. If, on the other hand, the changes are with effect from some date after 1 January 2015, it is not in the base and must be provided for in the Book of Estimates and the budget.

Deputy Pearse Doherty: That is welcome. Any measure that has been announced, such as the student contribution fee, would have an effective implementation date after 1 January 2015. Therefore, the savings that would accrue from that are not included in the budget arithmetic to make up a neutral budget.

Deputy Michael Noonan: That is next year's base.

Deputy Pearse Doherty: If it is next year's base, we are starting from a point at which that does not have to be provided for to achieve a neutral budget.

With regard to what the Minister terms a broadly neutral budget, providing the receipts and expenditure at midnight on Friday, three days before the budget is announced, is not sufficient. We need to change that system. Can the Minister give us his analysis, based on his best judgment, of what effect a no-change policy today will have on the 3% level? We will not hold him to this, because he has used rule-of-thumb analyses and has been forthright with information in the past. Will we come in at €200 million or €300 million below that figure, or will we be just close enough to it? Can he give us some indication that will help us prepare? We in the Opposition do not have the luxury of waiting till midnight on Friday to come up with an alternative budget within a few hours.

Deputy Michael Noonan: For the purpose of illustration I will talk through this, but the Deputy is not to tie me to the precise figures. The opening position last April was that we needed an adjustment of €2 billion to get the deficit down below 3%. That was to be divided in a proportion of 2:1, with roughly €1.3 billion from expenditure cuts and €700 million from tax

increases. As the budgetary position improved over the year, the level of adjustment estimated by officials in the Department began to narrow. It is at such a point now that, if I did nothing in a fortnight's time - if we brought no budget in - there would be roughly enough money in the Exchequer to run the country on the basis of no policy change in 2015 while bringing the deficit down to €2.9 billion, or around there.

Deputy Michael McGrath: Is that based on the growth estimate?

Deputy Michael Noonan: It is not so much based on the growth estimate as on the flow of taxes. Growth is tenuous because it is a projection. The bulk of what we are talking about is money already collected. It is the €970 billion in advance of budget at the end of August. That is not put in a safe. As it comes in, because it is not spent, it begins to reduce the deficit. If the Deputy looks at the statement on the August Exchequer returns he will see that the deficit was €1.3 billion below budget forecast at the end of August this year. It is progressive. As the taxes come in the deficit goes down. The deficit is probably somewhere below €4 billion at this point in the year, and we can project where it will land at the end of the year. I use the word "broadly" to cover the fact that it might be €50 million or €100 million above or below the line, but in general terms approximately €2 million has come in that was not estimated. That means far fewer cuts.

Mortgage Arrears Proposals

3. **Deputy Stephen S. Donnelly** asked the Minister for Finance the recommendations from the July report of the Oireachtas Joint Committee on Finance, Public Expenditure and Reform on the mortgage crisis that he intends to enact; and when he will enact same. [37397/14]

Deputy Stephen S. Donnelly: The Oireachtas Joint Committee on Finance, Public Expenditure and Reform held a long session earlier this year on the mortgage crisis. We met the chief executives of the banks, the Insolvency Service of Ireland, the official assignee, the Governor of the Central Bank and various organisations working with people in mortgage distress. The committee produced an all-party report in July of this year. The committee has 28 members and the report received unanimous support. One member declined to vote, not because he objected to the recommendations but on other ideological grounds. It is a strong all-party report. There are 47 recommendations in the report, which deal with sustainability, consistency, administrative and legal issues, communication and transparency issues, specific types of restructure, some that are not working, changes that should be made to some, new ones that should be brought in, the mortgage-to-rent scheme, the appeals process, the insolvency service and so forth. It made some serious recommendations about things that needed to change. Has the Minister read the report? I would very much like to engage with him at length in committee about this. Is he considering the recommendations with a view to implementing them and, if so, could he give us an idea of when we might start to see the changes take place?

(Deputy Michael Noonan): I note the recommendations contained in the report of the Oireachtas Joint Committee on Finance, Public Expenditure and Reform on mortgage arrears. I understand that the Governor of the Central Bank will write to the committee shortly regarding the recommendations contained in the report.

I have informed this House previously that the Government has developed a comprehensive cross-departmental strategy in this area in line with the main recommendations of the 2011

Keane report. The implementation of this strategy is overseen at Government level by a special sub-committee which is chaired by the Taoiseach and at official level by a mortgage arrears steering group which is chaired by the Department of Finance. A number of key measures have been advanced in this regard. The first is an intensification by the Central Bank of its engagement with mortgage lenders to require them, under the mortgage arrears resolution targets, MART, process, to propose and conclude sustainable and durable alternative arrangements with their customers in mortgage arrears. Targets have been set to the end of 2014 and by this date the relevant banks covered by the MART process will be required to have proposed sustainable solutions for 85% of mortgages which are more than 90 days in arrears and to have concluded solutions with 45% of such mortgages. Other measures include: significant reforms to personal insolvency and the establishment of the Insolvency Service of Ireland to provide more accessible and flexible statutory frameworks for people with unsustainable personal and mortgage debt; updating the code of conduct on mortgage arrears to provide additional safeguards for co-operating borrowers while also promoting and encouraging efforts by both lenders and borrowers to meaningfully address mortgage arrears or pre-arrears; the application of mortgage-to-rent schemes, which are now available as a social housing response to allow people to remain in their houses where possible; and the provision of an independent mortgage information and advice service.

The Central Bank's latest publication in this regard, Residential Mortgage Arrears and Re-possession Statistics, for the end of quarter 2, 2014, shows that the number of mortgage accounts for principal dwelling houses, PDHs, in arrears fell for the fourth consecutive quarter. At the end of June 2014, a total of 90,343 PDH mortgage accounts, or 11.8% in total, were more than 90 days in arrears. This represented a decline of 3% over the quarter. The data also shows that almost 102,000 PDH mortgage accounts were classified as restructured and, of these, 81.2% were deemed to be meeting the terms of their current restructuring arrangement.

Additional information not given on the floor of the House

Separately from Central Bank quarterly reports, a monthly reporting regime on mortgage restructures and arrears for the six main banks covered by the Central Bank's MART process has been put in place by my Department. The latest publication, with data for the end of July 2014, shows that the number of PDH mortgage accounts in arrears of greater than 90 days has fallen by over 7,100 when compared to the end of the first quarter, while the total number of PDH accounts in mortgage arrears has fallen by 8,845 in the same period.

Taken together, the overall strategy and framework is in place to enable banks to work with distressed homeowners to reach sustainable solutions for dealing with their personal indebtedness situations. Nevertheless, relevant Departments and agencies will continue to keep the position under review and can make any further adaptations to the overall framework as considered appropriate. However, early and effective engagement between borrowers and lenders remains key to resolving most cases of mortgage difficulty. Where there is effective and meaningful engagement by all parties regarding a mortgage in difficulty, the data shows that an increasing number of durable, long-term mortgage restructures can be and are being put in place.

Deputy Stephen S. Donnelly: I do not think I heard a single word in that reply that answered the question I asked. I asked what measures from the report of the Oireachtas Joint Committee on Finance, Public Expenditure and Reform the Minister intends to enact.

10 o'clock

In response, the Minister said the Governor of the Central Bank will write to the finance committee and then he spoke about the Keane report and mortgage arrears data. The committee report was written in light of the Keane report and it concludes that the current process, including the points listed by the Minister arising from the Keane report, is not working. A total of 47 separate recommendations are made for what needs to happen above and beyond the Keane report. Specific to the question I asked on the 47 recommendations from the cross-party finance committee report from July, which of the recommendations does the Minister intend to enact and when will that happen?

Deputy Michael Noonan: Some of the recommendations are applicable to the Department of Finance and others are applicable to the Central Bank and the banks themselves. Of those that are applicable to the Department of Finance, recommendation 2, for example, states that the committee rejects the Central Bank's general acceptance of legal solutions as "sustainable" and requests the Minister for Finance to intervene. The strong view of the Government is that in respect of co-operating borrowers under the mortgage arrears resolution process, repossession of a person's primary home should only be considered as a last resort. Every effort should be made to agree an acceptable arrangement as an alternative to repossession. I assure the Deputy that both my Department and I have expressed that view to lenders and keep in regular contact with them on this important issue.

Recommendation 20 is another one that applies to the Department of Finance. It calls for promised legislation on the code of conduct on mortgage arrears to be progressed with the utmost urgency. I am committed to bringing forward legislation that protects consumers where mortgages are sold to unregulated entities. The Government has reiterated the commitment on several occasions. In July and August of this year my Department ran a public consultation seeking views on its proposed legislation to protect consumers whose loans are sold to unregulated entities. We got 18 submissions from a range of respondents across the interest groups. Officials in my Department are carefully considering the submissions. It is anticipated that the legislation will be published before the end of the year.

Recommendation 35 also applies to the Department of Finance. The committee notes the success of the pilot initiatives financed by AIB whereby independent advisers to customers in arrears facilitate re-engagement into the resolution process. There was a recommendation from the committee to expand on the process. The Government has provided an enhanced range of information and guidance services for mortgage holders, including a dedicated information website, a mortgage arrears information and advice helpline and the provision of independent financial advice for mortgage holders who are presented with long-term mortgage resolution proposals by lenders. The advice is provided by a panel of accountants drawn from members of the main accountancy institutions in Ireland who have agreed to participate and support their independent service.

Recommendation 37 is another one that is applicable to the Department of Finance. The committee welcomed the publication, monthly by the Department of Finance, and quarterly by the Central Bank, of mortgage arrears figures but noted the differences between the figures and recommended that both parties would liaise to produce an agreed uniform set of data.

The Department has requested the six main lenders operating in Ireland that fall within the Central Bank mortgage arrears resolution target process to provide data on the restructuring situation. The process is separate from the Central Bank and the two sets of figures will not always match. A number of recommendations are applicable to intervention by the Central Bank

and the Governor has committed to writing to the committee, which can discuss the range of recommendations with him.

If the implication of the question is that we did not take the report seriously, that is not the case, as we did. I did read the report and thought it was very good. There is much material in it that will assist the situation.

Deputy Stephen S. Donnelly: There was no implication that the report was not being taken seriously. The question that was asked in good faith was about the provision of an update.

I accept the Insolvency Service of Ireland, ISI, comes under the remit of the Department of Justice and Equality but is a key component of what is happening under the remit of finance, namely, the mortgage crisis. Four of the recommendations in the report relate to the Insolvency Service. We have compelling data, and we saw during the investigation, that the Insolvency Service is not working. It has processed approximately 27 or 47 personal insolvency arrangements, PIAs, but relative to the scale of the problem it is as good as zero. I appreciate that the review of the service will be conducted by the Minister for Justice and Equality, Deputy Fitzgerald, but would the Minister be happy for a review to take place? The previous Minister for Justice and Equality, Deputy Shatter, said that if the system did not work then it would be reviewed straight away. In his remit as Minister for Finance looking at the impact the service is having or not on the mortgage crisis, would he like to see a review of the insolvency legislation to get the ISI and the insolvency process working better?

Deputy Michael Noonan: It is not working as well as we had hoped but it is working. The number of cases being processed is accelerating. There are blockages within the system. A review is incorporated in the insolvency legislation but that is about two years' down the line. Provision has been made for it in the Act but we need a more immediate review to see whether we can remove blockages. That work is proceeding, and I have come across recommendations from the director of the Insolvency Service of Ireland. There will be changes in processes, protocol and regulation but they will not require legislation. That should remove some of the perceived blockages from the system. If legislation is necessary it would come about as a result of the later review which is provided for under statute.

State Banking Sector

4. **Deputy Michael McGrath** asked the Minister for Finance his plans for the future of Allied Irish Banks; and if he will make a statement on the matter. [37400/14]

Deputy Michael McGrath: The question relates to the future of AIB. I am aware the Department is appointing a panel of financial advisers to advise on the possible disposal of the State's interests in the banking sector. The purpose of the question is to establish the Minister's intentions in respect of AIB. I have some views on the matter which I will outline.

Deputy Michael Noonan: As the Deputy will be aware, the taxpayer has made a very substantial investment in AIB and it is critical that we carefully examine all possibilities open to us to ensure this investment is protected and enhanced with a view to ultimately generating a return for the State.

The return to profitability by AIB in the first half of 2014 is good news from the perspective

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of the Irish taxpayer as it enhances the value of the bank for the taxpayer, which will over time allow the State to maximise the return on its investment. The latest valuation of the AIB shares was carried out by the National Pensions Reserve Fund Commission, NPRFC, at the end of 2013, and this valued the State's ordinary and preference shareholding at €10 billion. Including the contingent capital, CoCo, this brings the value of the State's shareholding to €11.6 billion. Since the previous valuation of the State's holding, bank stocks in many eurozone countries have performed well. AIB has posted a profit in mid-2014 and I would therefore be confident that the value of AIB has also increased.

With respect to the State's holdings in the banks, Government policy remains unchanged and we do not wish to hold these investments in the banks over the long term. Subject to market conditions, therefore, we are willing to exit in a manner that maximises value for the taxpayer.

In the past 18 months the State has exited successfully from some debt investments with the sale of the BOI CoCo and preference shares in addition to the sale of Irish Life. Holding our equity investments longer enables the State to benefit from the economic recovery and fortunately given the significant cash resources we hold, we are not under pressure to exit these remaining investments.

The bank engages regularly on a range of issues including the financial performance of the bank, strategic objectives and its capital structure with officials from the shareholding management unit in my Department who are charged with this responsibility.

In recent months, the Department of Finance has been engaged in a process to appoint panels of financial advisers to assist in the receipt of timely advice relating to the future disposal of the State's banking sector investments, and other *ad hoc* assignments that may arise from time to time.

Additional information not given on the floor of the House

The Department has had the need for advice in the past and will continue to have a requirement in the future and the appointment of these panels is prudent planning to ensure the State is in a position to receive necessary advice in a timely and cost efficient manner. While I have said previously in respect of AIB that we may wish to test the market next year, the creation of these panels should not be seen as a signal that a transaction is imminent or indeed will happen at all.

There are three panels for the provision of the following services: panel 1 - capital markets, strategic, M&A and restructuring advice; panel 2 - general financial advice; and panel 3 - capital markets distribution services. The process, which is in line with the open procedure of EU procurement legislation, is well advanced and the Department expects to be in a position to publish the list of successful tenderers to each panel shortly.

Deputy Michael McGrath: I am not averse to the State divesting itself of at least some of its shareholding in AIB at the appropriate time, but there should be no question of selling any of our shareholding in AIB, pending the outcome of the negotiation of a bank debt deal. Selling equity share capital in AIB now would be a complicating factor in that arrangement and we are supposed to be preparing an application for a deal on retroactive bank recapitalisation as soon as next month. It is, therefore, absolutely premature to speak about selling part of our shareholding in AIB until there is full clarity on the outcome of the bank debt deal negotiations. AIB is in recovery, but it still has a distance to travel. I am, therefore, concerned about divesting our interest in AIB at a time when competition in the banking sector is in such short supply.

I called on the Minister before to bring forward a White Paper on the banking sector and the fundamental point is that any decision to sell part of our shareholding in AIB cannot be made in isolation from the overall strategy in the banking sector. That sector has not recovered fully by any means and it is premature for the State to divest some of its shareholding in AIB at this time.

Deputy Michael Noonan: I have no plans to divest any portion of AIB in 2014 and no decisions have been made on divesting subsequent to that year. The major events that will occur in banking in Ireland will take place at the end of October, when the result of the stress test emerges. We will want a full account of the stress test before we begin to form policy on the future of AIB and our residual shares in Bank of Ireland and PTSB.

Deputy Michael McGrath: I accept that the Minister must, of course, accept the outcome of the stress tests before making any decision. Does he, equally, accept that we need to know where we stand on a bank debt deal before making any decision on the future of AIB. Selling a stake in AIB now to private investors would be, at a minimum, a complicating factor in any negotiation on a deal on bank debt. We are supposed to prepare an application for a retroactive deal to be submitted as early as next month. The issue must be dealt with and concluded one way or the other before any decision is made on AIB. There is a distinct lack of competition in the banking sector. Any decision to sell part of the ownership of AIB must be made in the context of the banking sector's current state. We need more competition and I would like the Minister, his officials and agencies on behalf of the State to actively seek to attract more competition to the banking sector which is badly needed. We need direction and a strategy for the future. The banking sector is coming off its knees and beginning to recover, but customers, including personal borrowers and those from small and medium enterprises, are still being gouged and paying significantly higher interest rates than in other eurozone countries. This is simply not acceptable. The banking sector has not been repaired and it is premature in 2014 or 2015 to sell a share in AIB. Does the Minister accept that we need finality on the question of a bank debt deal before making any decision on divesting some of the shares in AIB?

Deputy Michael Noonan: Things are evolving pretty quickly. With regard to the business plan for recovery in AIB, it is well ahead of the targets set, as it did not expect to be in profit in 2014. It is significantly in profit, with the figure in excess of €400 million. The two banks are strengthening well. The economy is growing at pace and there are effectively only two significant banks in business; therefore, there is a major business opportunity and they will move very rapidly to strengthen. I do not disagree with a number of the points made by the Deputy and all of these considerations will be taken into account before we make any policy decision on the disposal of AIB.

State Banking Sector

5. **Deputy Pearse Doherty** asked the Minister for Finance his plans for the State's stake in Allied Irish Banks; the discussions that have taken place on the issue; and the persons, companies or institutions involved in these discussions. [37264/14]

Deputy Pearse Doherty: This is essentially the same question that was answered earlier. I have my own views and understand things can evolve. A script has been followed by the Minister and the Department in order to return AIB to profitability and everybody agrees that it was the intention of the bank to enter profitability at the end of the year. It is welcome that this aim has been achieved. The idea was to fatten the bank and sell it. When he appeared before the finance committee last year, Mr. David Duffy spoke about meeting people in America and so on

and being ready if the Government decided to sell shares. That has always been on the cards. I agree that we should not examine this matter before the retroactive recapitalisation issue is dealt with. We have not even passed the legislation to deal with it. The Minister committed at the finance committee to make an application and the signals being sent to the Minister's colleagues on the board of governors of the European Stability Mechanism are that there is a greater option being pursued outside retroactive recapitalisation. It weakens the argument. As the Minister did not indicate it yesterday, will he say in Parliament today that he will make an application for retroactive recapitalisation of AIB and the other banks in which we hold shares?

Deputy Michael Noonan: The taxpayer has made a very substantial investment in AIB and it is critical that we carefully examine all possibilities to ensure this investment is protected and enhanced, with a view to ultimately generating a return for the State. Officials from the shareholding management unit in my Department are charged with this responsibility and continue to engage with the bank on a regular basis on a range of issues, including the financial performance of the bank, strategic objectives and its capital structure.

In recent months the Department of Finance has been engaged in a process to appoint panels of financial advisers to assist in the receipt of timely advice relating to the future disposal of the State's banking sector investments and other *ad hoc* assignments that may arise from time to time. The Department has had the need for advice in the past and will continue to have a requirement in the future and the appointment of these panels is prudent planning to ensure the State is in a position to receive necessary advice in a timely and cost-efficient manner. I have said previously in respect of AIB that we may wish to "test the market" next year, but the creation of these panels should not be seen as a signal that a transaction is imminent or will happen at all. There are three panels for the provision of the following services. Panel No. 1 deals with capital markets, strategic, mergers and acquisitions and restructuring advice; panel No. 2 deals with general financial advice; and panel No. 3 deals with capital markets distribution services. The process which is in line with the open procedure of EU procurement legislation is well advanced and the Department expects to be in a position to publish the list of successful tenderers to each panel shortly.

With respect to the State's holdings in the banks, Government policy remains unchanged in that we do not wish to hold these investments in the banks in the long term and, subject to market conditions, are willing to exit in a manner that maximises value for the taxpayer.

Additional information not given on the floor of the House

We have already exited some of our debt investments with the sale of the Bank of Ireland contingent convertible notes and preference shares, in addition to the sale of Irish Life. Holding our equity investments longer enables the State to benefit from the economic recovery and, fortunately, given the significant cash resources we hold, we are not under pressure to exit the remaining investments.

With regard to AIB, the return to profitability is very good news from the perspective of the taxpayer, as a profitable bank is a more valuable bank, which will over time allow the State to maximise the return on its investment. The latest valuation of the AIB shares was carried out by the National Pensions Reserve Fund Commission at the end of 2013 and it valued the State's ordinary and preference shareholding at €10 billion. Including the contingent capital, this brings the value of the State's shareholding to €11.6 billion. Since the last valuation of the State's holding, bank stocks in many eurozone countries have performed well. AIB posted a

profit in mid-2014. I am confident, therefore, that the value of AIB has also increased.

Deputy Pearse Doherty: There is a need for an open and frank discussion on the future of AIB. The best outcome would be full retroactive recapitalisation by the ESM, fulfilling the promise of the “game changer” and “seismic shift”. If it was rejected, genuine questions must be asked about what to do with AIB, now that it has returned to profitability. Could we use it to bring in revenue for the State and use our shareholding to ensure we will have a banking sector that is fit for purpose?

I have a simple question which I asked earlier today and yesterday. The Minister indicates that the policy remains unchanged. I take that statement at face value. In June the Minister indicated to the finance committee that he would apply for retroactive recapitalisation of AIB. He stated:

Of course we will apply. What does the Deputy think we have been talking about for the last five minutes in reply to Deputy McGrath? Of course we will apply, but the timing is a question of the best approach.

Will the Minister confirm to Parliament that the policy has not changed and, in his own words, is, “Of course we will apply”? Is the Government still committed to applying for retroactive recapitalisation of AIB?

Deputy Michael Noonan: The policy has not changed since I spoke at the finance committee in June. I wanted to widen the debate and still want to do so. Many people think retroactive recapitalisation of the banks is simply a matter of sending a letter to the European Union and that the money will be returned. The construct was always that there would be an exchange of shares in the Irish banks with the ESM in return for money.

Deputy Pearse Doherty: It actually states that the rules will be made up by the Government at a later stage.

Deputy Michael Noonan: No. When the conversation commenced - I do not propose to go into the detail on this - in terms of the general primary colour and shape of the model, that was the idea. It was never a case of money for nothing. Obviously, there are considerations that arise from that, including whether, if one thought one could get more money on the market, one go down that road or pursue that. On the other hand, while the people running the European Stability Mechanism may be brilliant at raising money on the markets, there is nothing within their experience to suggest that they could run banks, because that is not what they do. All I am saying is that we are pursuing this along the lines outlined by me at the finance committee when we last spoke about this issue, and also that there is an alternative that might be of more benefit to the Irish taxpayer. We will pursue all options, but the bottom line must be which will achieve more money for the taxpayer.

Deputy Pearse Doherty: Although the Minister has not said so, I take it, because he said there is no policy change, that the intention is still to apply and seek the maximum benefit from the ESM, which I accept will mean handing over our shares in AIB to the ESM.

The Minister said that all options were being pursued. We need a frank and honest debate on this issue. There are at least three options: the ESM option, which is the best option if we can fulfil the promise made in June 2012; the option of selling to the markets, which should be examined and considered; and the option of the State retaining its equity in AIB and ensuring the

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profits made by AIB as it returns to profitability - we hope its profitability will increase into the future - benefit the State and are used to ensure bank lending to particular sectors as required.

The Minister said that the policy was not to hold onto the State's equity in AIB long-term, but will he at least examine the benefits of our having a State-owned profitable bank and what that would mean for the Irish banking sector and the Exchequer?

Deputy Michael Noonan: As stated, that is not the policy. Government policy is to progressively sell the State's shares in AIB. We do not believe a State bank is the best model for the Irish economy in the medium to long term. There is a fourth alternative. We could sell part of AIB and retain a significant chunk of it in the hands of the State for a long time so that we would have an influence over banking policy through what is emerging as the primary bank. There are other alternatives. We are taking decisions as we move along, with no hard and fast position having yet been taken, other than that we do not want a nationalised banking system as a permanent feature. We regarded the intervention by the State in the banks as a rescue operation, and a very expensive rescue operation. We want a significant private holding in AIB in due course. That does not mean we would not retain a significant proportion of the bank. I am prepared to discuss all of this with the Deputy at the finance committee, because there is not as yet any firm policy position on these issues.

Other Questions

Excise Duties

6. **Deputy Seán Kyne** asked the Minister for Finance in view of the pressure on businesses in the hospitality and drinks industry such as local public houses and other businesses such as independent wine sellers and the associated increases in excise duties and taxes on such products in 2012 and 2013, if he will consider reducing the level of excise; and if he will make a statement on the matter. [37051/14]

Deputy Seán Kyne: This question relates to concerns among the rural pub trade and independent wine sellers regarding the impact of increases in excise duties over the past number of years on job retention and future job creation and the Minister's plans in this regard in terms of the forthcoming budget.

Deputy Michael Noonan: As the Deputy will be aware, it is not my practice to comment in advance on what measures may or may not be introduced in the budget. I do not intend to have a budget debate in advance of its announcement. I cannot be more precise than that.

In general terms, the Deputy will be aware that the VAT rate was reduced from 13.5% to 9%, which would have helped the pub trade, particularly the portion of it that provides food. I have met with representatives of the trade, including the Vintners' Association representing the Dublin publicans and the Vintners' Association representing the rural publicans, and representatives of Diageo who accompanied the Vintners' Association representatives by way of delegation. I am familiar with their concerns and have discussed them with them. We will see what happens on budget day.

Deputy Seán Kyne: I appreciate that the Minister cannot engage now in a debate on the

budget. Many of us have met with vintners and rural publicans in the context of the ongoing Support Your Local campaign. I acknowledge that the imposition of additional taxes and charges was necessary when the economy was in dire straits. I also welcome the many initiatives taken by the Government over the past number of years in relation to job creation. However, the additional taxes introduced over the past few years are a hindrance on job creation and retention. There has been huge growth in the tourism area over the past number of years, largely because of the many initiatives taken by Government, including the Wild Atlantic Way and the reduction in VAT to 9%. These measures have had a positive effect. While I am aware of the issues around irresponsible consumption, businesses such as those I am speaking about - namely, restaurateurs, independent wine retailers and family-run pubs - promote responsible consumption in a social setting. Future reductions in taxes aside, which I would support, I hope that no new additional burden by way of taxes will be imposed on this sector.

Deputy Michael Noonan: Our approach has been to stimulate the industry in general, which included a reduction in VAT, the initiatives of The Gathering and the Wild Atlantic Way and the abolition of the travel tax, which resulted in an enormous amount of additional tourists coming into the country. That has been the general approach.

In regard to excise rates and the percentage charged in this regard in terms of the price of a pint, excise duty is now lower in percentage terms than it was in the early 1990s. There were no excise duty increases for many years. If I remember correctly, excise duty was reduced in 2009 or 2010. The only increase was applied last year. As I said, the proportion of the cost attributable to excise duty is lower now than it was in the early 1990s.

Deputy Michael McGrath: The elephant in the room in relation to alcohol is the predatory practises being pursued by the multiples. That is an issue that the Minister's Department will have to address. I accept it is not possible to treat the on-trade, the independent off-trade and the multiples separately in respect of excise duty. However, below-cost selling of alcohol by multiples is damaging to the on-trade, independent off-licences and society. As the Minister will be aware, the licensing system in this area is archaic in that a large multiple in this country pays the same amount, €500 per annum, as a small Centra store for an alcohol licence. It is a crazy system. When shining a light on this area, there must be an examination of the role of the multiples in terms of their aggressive below-cost selling of alcohol, which is what is doing the most damage to the pubs and independent off-licences that are struggling.

Deputy Pearse Doherty: I was going to make a similar point, but Deputy McGrath has made it well. I will focus instead on the issue of wine as it relates to the question posed by Deputy Kyne. The Minister referred in his reply to excise duty on beer products. Has the Department of Finance undertaken any analysis of wine products, which attract the highest excise duty across Europe? What wine lovers actually get for their €8 or €9 spent on a bottle of wine is very little wine, because a large proportion of that cost relates to excise duty. Has the Department undertaken any research or analysis of the impact of two concurrent increases in excise duty on that sector, which is the issue raised in the question?

Deputy Michael Noonan: Social practices have changed significantly. Members will be surprised to hear that of all the excise collected from the drink trade, 23% comes from wine, which is massive. This is derived not from wine consumed in restaurants or pubs but from bottles of wine purchased in supermarkets and so on. Another curiosity about wine, which applies to all applications of excise, is the charge applies on the volume. The proportional excise charged on cheap wine is very high but the proportion charged on expensive wine is not. The

excess goes on the volume, not on the price whereas VAT goes on the price. That is a curiosity. I am conscious of the position of the trade. Many of the problems in the pubs in rural Ireland are not related to price. The Deputy knows the story and knows what is the problem. Social practices are changing as well. In my city, young couples tend to go out for a meal to a restaurant on a Saturday night rather than to the pub. There is quite a change in social practice and that must be taken into account by representatives of the vintners as well.

Post Office and Credit Union Mergers

7. **Deputy Paul J. Connaughton** asked the Minister for Finance if consideration has been given to the proposed mergers between post offices and credit unions as an alternative to mainstream banking; the measures needed to make this happen; and if he will make a statement on the matter. [37053/14]

Deputy Paul J. Connaughton: The Minister is aware of the talk in his county, Limerick, of mergers between credit unions and post offices offering a different range of financial services. The question is what consideration the Department has given to the merger and what the Department can do to help roll out the idea. Many of the mainstream banks have closed some of their branches. With the mainstream banks having closed branches, the question concerns rural communities that are left with no banking service. Within the communities, a number of credit unions are looking to work with An Post to offer a different range of services. Quite a number of regulations apply. I am interested in the Minister's opinion and the opinion of the Department on future progress of the mergers.

Deputy Michael Noonan: The credit union sector nationally plays an important role in providing financial services, but in doing so retains responsibility to ensure members' funds are not put at undue risk. While the Department receives many proposals on various issues, my Department recently received a proposal involving a group of six Limerick credit unions and An Post investigating potential business opportunities to co-operate with each other and I assume this is what the Deputy is referring to. The Department received this proposal on 12 August 2014, which outlines the promoters' plan to establish and operate joint initiatives between participating Limerick credit unions and An Post, on a pilot project basis.

The proposal looks at channelling some of An Post services through credit unions and also looks at the prospect of An Post providing some credit union services. I am always open to considering proposals in relation to credit unions that would see the development of the credit union business model and an increase in income for the sector. Having read this proposal, there may be some merit in it. However, it must be stressed that the proposal is at a very early stage of development and would require additional work, as identified by the proposers, before it could be considered further.

While officials from my Department met one of the proposers of this plan to discuss its merits, such a proposal would require more development before it can be fully evaluated. The Registrar of Credit Unions at the Central Bank is responsible for the regulation of credit unions and as such, any proposal on credit unions would be subject to regulatory approval by the regulator.

Deputy Paul J. Connaughton: I understand it is at an early stage in the process and a number of credit unions in County Galway have approached me. There is an issue with rural post offices and both bodies are looking to amalgamate and to provide different services to people

in areas where the main banks have gone. Even though the discussion on setting this up is in its infancy, what does the Department of Finance or the Central Bank have to do to make such a proposal workable? Must something be changed within the Department of Finance, given that credit unions can only lend to members? Will legislation be required to allow them to go outside of that and to bring in more people? Without attracting new customers, the credit union cannot survive. The main banks have left many of these rural communities. What needs to happen to increase the chances of it happening in the near future?

Deputy Michael Noonan: To give a flavour of the proposal, the suggestion is that participating credit unions will be provided with post point terminals by An Post that will deliver a number of services, including Bill payment, mobile phone top-ups, one4all gift cards, refuse charges, electronic funds transfer payments, television licences, parking and toll top-ups, stamps and the local property tax. The credit union would earn various rates of commission depending on the services provided. For lodgments, each participating credit union can issue customers who wish to use the service with the lodgment card allowing them to lodge money into a post office nationwide. The money will, in turn, be lodged to the appropriate credit union account. There is a suggestion of developing a micro-loan product that will be processed between the post offices and the banks.

It is an interesting proposal and it will develop further through interaction with my Department. We must keep the Central Bank fully informed about this because, in the final analysis, the credit union division in the Central Bank is the regulator of the credit unions. We must communicate with the parent Department of An Post to ensure everything is lined up. It is an interesting proposal and, in principle, we would like to advance it further. It is at an early stage and was only introduced on 14 August. If something similar could be done in Galway, I can provide the Deputy with the data.

Credit Unions Restructuring

8. **Deputy Michael McGrath** asked the Minister for Finance the role the restructuring board has played to date in activities of the credit union sector; and if he will make a statement on the matter. [37057/14]

Deputy Michael McGrath: The question also relates to the credit union sector and questions the Minister about the role of the restructuring board in restructuring credit unions around the country. The board is playing an important role on a voluntary basis, trying to incentivise credit unions where consolidations and mergers are needed. However, a number of issues arise in respect of the future of the credit union movement.

Deputy Michael Noonan: The Credit Union and Co-operation with Overseas Regulators Act 2012 provides the statutory basis for the restructuring of credit unions and placed the credit union restructuring board - ReBo - on a statutory footing from 1 January 2013. ReBo is currently in the process of overseeing and facilitating restructuring on a voluntary, incentivised and time-bound basis and is working towards the timetable set out in the Commission on Credit Unions report, with a view to completing the process by the end of 2015. The Government has made available €250 million to the credit union fund for the voluntary restructuring of credit unions.

ReBo has undertaken a high level assessment of all credit unions based on financial data

from the Central Bank and engagement with each credit union. To date, ReBo has facilitated the merger of 17 credit unions throughout the country and provided advice and expertise to the credit unions involved in the mergers throughout the entire process. ReBo is currently working with over 140 credit unions who have decided to pursue actively a merger strategy, along with providing ongoing facilitation and advice throughout the various stages of the process.

Throughout the process to date, ReBo has engaged with all credit unions that have been willing to engage with them and have met approximately 300 credit unions as part of this process. It has developed a standardised merger process, with supporting templates to assist credit unions which are going through a merger process. In addition to the restructuring process ReBo has also communicated to the Central Bank in regard to distressed credit unions for which it has not been able to find a restructuring solution, published various guidance documents on credit union mergers, conducted ongoing analysis of financial issues, environmental challenges and trends within the movement and engaged regularly with multiple stakeholders within the movement to include the Irish League of Credit Unions, the Credit Union Development Authority, the Central Bank, the Credit Union Managers Association and the Department of Finance.

Deputy Michael McGrath: Many credit unions are feeling the heavy hand of regulation, particularly when it comes to lending. Lending is their core business and many credit unions have onerous lending restrictions. ReBo needs to incentivise credit unions to merge where that is the appropriate solution. We need weaker credit unions to join stronger credit unions and the regulator must allow that process to take place. In the case of Berehaven, the decision was taken to liquidate the credit union. Bantry Credit Union has subsequently taken over the business in order that services can continue. However, other credit unions are in need of capital. Will the Minister advise the House of the €250 million fund to which ReBo has access for the restructuring of credit unions, the number of cases which have received funding and how much of the fund has been drawn down for the benefit of the credit union sector?

Deputy Michael Noonan: The credit union movement is terrific and we support it absolutely and fully. Credit unions did not escape free from the financial crisis. Significant damage was done to the movement, as it was to the banks. Legislation was passed and organisations such as ReBo were established to protect credit unions. The primary purpose of everything we did with regard to credit unions was, in the first instance, to protect the savings of depositors because we did not want to see any risk to savings. That has been done. I refer to a number of high profile examples of credit unions in trouble, but, by and large, depositors have been protected almost totally. This must continue to be case. The protection of depositors has been the primary purpose of many of the interventions we have made.

I agree with the Deputy that there are many credit unions in the country, some of which are too small. The way to reorganise them is to merge them with neighbouring credit unions in order that groups will form a bigger and more financially solid entity. That process is proceeding by way of discussion and agreement, rather than with a heavy hand.

Deputy Michael McGrath: I am hearing from credit unions that they are feeling the heavy hand of regulation. Legislation was passed to strengthen regulation of the sector because it needed to be strengthened. Credit unions have been damaged by the economic crisis, not just in their core business but also because many of them invested in expensive buildings which have had to be revalued. This is having a detrimental impact on their overall financial position. I refer to the parallel process of ongoing regulation by the registrar and ReBo which is trying the softly-softly approach as against the heavy hand of regulation. The feedback I receive is that

many credit unions are prepared to change in that they recognise change is unavoidable. They recognise that because of the need to reach the necessary levels of compliance and achieve an improvement in systems and governance, the weaker credit unions will need to join stronger ones. However, there is a need for a carrot as well as a stick. The incentivisation of restructuring has to be to the fore. The money has to be made available and used because achieving this on a voluntary and co-operative basis is preferable to the regulator using the heavy stick and threatening to shut down a credit union immediately on a Monday morning.

Deputy Michael Noonan: The information passed on to Deputies on credit unions usually comes from the managements or board members of credit unions that have a particular perspective. However, there is another perspective, from the point of view of the regulator whose primary purpose is to protect depositors. I suggest the Deputy invite the section of the Central Bank dealing with credit unions and the regulator of the credit unions to come before the finance committee to hear the regulator's view. There is no gainsaying it, but there are limits on lending and the regulator will explain the reasons. The regulator has to adopt a prudential approach. There is frequently a difference of opinion between the managements of credit unions and the regulator, but that is the normal tension in the business.

Fiscal Policy

9. **Deputy Bernard J. Durkan** asked the Minister for Finance the progress year on year in the past five years towards achieving a stabilised economy, reduced borrowings and debt reduction; the extent to which the consumer has benefited or may expect to benefit from the progress made to date; and if he will make a statement on the matter. [37050/14]

Deputy Bernard J. Durkan: My question relates to the degree to which the various economic and fiscal targets, year-on-year, have been identified and achieved in the past five years and the extent, if any, to which the consumer might expect to benefit from the achievements made to date.

Deputy Michael Noonan: Following the crash of the credit-fuelled property bubble, together with the accompanying financial crisis, Ireland's economy experienced a sharp downturn, with a loss of almost 10% in real output between 2008 and 2012. Immediately following the crash, a major gap in the public finances emerged. Through implementation of a substantial adjustment, significant progress has been made in restoring financial stability, fiscal stability and economic growth. The economy and the public finances are now on a more stable footing.

Ireland's competitiveness has significantly improved in recent years. Relatively low consumer price inflation in the past five years has meant that Irish price levels have fallen considerably, relative to the euro area. For instance, annual HICP inflation in Ireland has been below that of the euro area average for every year since 2008. This trend continued into the early part of this year, with inflation in the first six months of the year coming in below the comparable rate in the euro area.

Following a major restructuring and recapitalisation of the banking system, stability in the financial sector has been restored. The Government recognises that the availability of finance is an essential prerequisite to supporting growth and employment in the economy. In this regard, it has taken a number of actions to assist in the financing of the economy through new and innovative products.

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The underlying problems of the public finances are being addressed. The policy measures implemented by the Government have resulted in a decline in the deficit. This decline has been gradual and in a phased manner, consistent with the dual needs of supporting economic activity, as well as repairing the public finances. All of the interim deficit ceilings set have been met and Ireland is firmly on track to achieve a deficit of below 3% next year. This has been important in restoring Ireland's credibility. In addition, the debt-to-GDP ratio is estimated to have peaked and is now on a firm downward trajectory.

The immediate fiscal policy objective remains the achievement a deficit of less than 3% of GDP by next year, thereby correcting the excessive deficit. Thereafter, fiscal policy will be set in line with the requirement to move towards Ireland's medium-term budgetary objective, which is, a balanced budget in structural terms.

Deputy Bernard J. Durkan: I thank the Minister for his comprehensive reply. To what extent may the consumer expect to benefit in the next five years as a result of the achieving of these targets and having regard to the performance in the past five years? Will the Minister give us his view on the extent to which the percentage of total debt will alter relative to GDP?

Deputy Michael Noonan: The consumer benefits from low inflation and also from competition in the market. I understand there is significant competition between the supermarket chains, which has brought down the cost of the weekly shopping basket. The consumer will also benefit if future Finance Ministers have the capacity to reduce tax impositions or levies. The principal benefit for the consumer is that, as the economy stabilises, pay increases will become part of the norm once again. Already, I note that between 40% and 50% of private companies have given pay increases in the past 12 months. This trend will probably continue as the economy grows very strongly. The one word to describe everything that is happening is "normalisation" of the process. This is returning to being a normal economy where the normal rules apply. The consumer will obviously benefit in that sense.

Written Answers follow Adjournment.

Sixth Report of the Constitutional Convention - Blasphemy: Statements

Minister of State at the Department of Justice and Equality (Deputy Aodhán Ó Ríordáin): I propose to report to the Dáil on the Government's response to the sixth report of the Constitutional Convention, which proposes the removal of the offence of blasphemy from the Constitution. The convention was established by Government in 2012 to consider a range of issues on which constitutional change may be needed and to report on its conclusions to the Houses of the Oireachtas. This House approved the convention's terms of reference and the issues to be considered. The latter include the removal of the offence of blasphemy from the Constitution, which is the subject of the convention's sixth report. The Government welcomes the sixth report of the Convention on the Constitution and thanks it and its members for their high level of engagement. The Government accepts the main recommendation contained in the report, namely, that a referendum should be held on removing the offence of blasphemy from the Constitution.

Members will recall that the guarantee relating to freedom of expression in Article 40.6.1^o(i) of the Constitution also includes, by way of limit to the general guarantee, a sentence providing that publishing or uttering blasphemous material is to be a criminal offence punishable by

law. The crime of blasphemy under common law referred to material insulting to the State-established - that is, Church of Ireland - religion. In the Corway case in 1999, the Supreme Court underlined that the constitutional reference to an offence of blasphemy could not be interpreted in such a narrow sense and would have to be understood in a manner appropriate to “the circumstances of a modern State which embraces citizens of many different religions, and which guarantees freedom of conscience and a free profession and practice of religion.” The Supreme Court added that it was for the Legislature to define how this would operate in practice. The offence of blasphemy is duly defined in section 36 of the Defamation Act 2009 as publishing or uttering material which is grossly abusive or insulting regarding matters held sacred by any religion and which intentionally causes outrage to a substantial number of that religion’s adherents. There is a defence if a reasonable person would find genuine literary, artistic or other value in the material. The penalty on conviction is a fine not exceeding €25,000. In practice, there have been no prosecutions under the 2009 Act and the last public prosecution for blasphemy in Ireland appears to have been brought in 1855.

The convention devoted its seventh plenary meeting, held on 2 and 3 November 2013, to the question of whether the Constitution should be amended to remove the offence of blasphemy. The convention’s report indicates that it received very many submissions on this issue. It notes that the submissions suggested a very high level of support for removing the offence of blasphemy from the Constitution and that it is clear that this issue is regarded by many of those who made submissions as forming part of a much wider debate, including the role of religion in the Constitution and the relationship between religion and the State. The convention reports that, in keeping with its general principles of fairness and efficiency, it sought to present the fullest possible range of perspectives to its participants both for and against retaining the existing text. It also heard detailed expert presentations on the origins and development of the offence of blasphemy, on its practical operation in Ireland historically and today and on how this compares with other jurisdictions. The outcome of the convention’s deliberations was that a substantial majority of its members recommended that the offence of blasphemy should be removed from the Constitution, with 61% of members voting in favour of removal, 38% voting against and only 1% undecided. The sixth report of the convention recommends, therefore, that the offence of blasphemy be removed from the Constitution.

I am pleased to inform the House that the Government has agreed, at its meeting on 30 September, to put this question to the people and that a referendum should be held on the question of amending Article 40.6.1^o(i) of the Constitution to remove the offence of blasphemy. As regards the detailed content of any constitutional or legislative change, the convention’s report raises a number of further issues, namely whether the offence of blasphemy should simply be deleted from the Constitution or replaced with a new provision prohibiting incitement to religious hatred, and whether we should retain a legislative provision for the offence of blasphemy or replace this at statutory level with provisions prohibiting incitement to religious hatred. The convention voted in favour of including a new constitutional provision against religious hatred, with 53% of members in favour, 38% against and 9% undecided. There was no clear majority on whether to keep a legislative provision for the offence of blasphemy, with 49% in favour, 50% against and 1% undecided. If a legislative provision is retained, the convention favours replacing the existing offence with detailed legislative provisions against incitement to religious hatred; in this regard it voted 82% in favour, 11% against and 7% undecided. These recommendations will require more detailed legal and other consideration. For example, there is already relevant legislative provision in the Prohibition of Incitement to Hatred Act, which will need to be taken into account.

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The Minister for Justice and Equality has been charged by the Government with the task of further examining these issues and undertaking the work necessary to prepare both a referendum Bill and another item of legislation to amend the current legislative provision for the offence of blasphemy. With regard to timing, the referendum will take place at an appropriate date to be decided by Government after the necessary further consultations have been completed and the required legislation has been prepared.

I wish to take this opportunity to update the House on the overall position regarding the Government's response to the convention's reports. The convention produced nine reports in total, all of which have been laid before the Houses of the Oireachtas. The Government has already agreed to the holding of three referendums in 2015 on foot of the convention's first three reports. These referendums will be on reducing the voting age, reducing the age of candidacy for presidential elections and same-sex marriage. Preparation of these referendums is relatively advanced. As regards the fourth report, Government has agreed that work should commence on the establishment of an electoral commission.

Work is ongoing on the remaining reports, which, as the House will be aware, deal with matters such as giving citizens resident outside the State the right to vote in presidential elections, Dáil reform, economic, social and cultural rights, and the Convention's conclusions and final recommendations. The Government expects to respond to all of these reports before the end of the current Dáil session. There is merit, therefore, in ensuring that the timing of referendums can be decided in the context of the overall programme of proposed reform, not least in order that the costs relating to the holding of referendums can be combined, where feasible, in the public interest.

I again express the Government's appreciation of the innovative, thoughtful and participatory way in which the convention and its members have debated the relevant issues. I commend the convention on its work and thank it, on behalf of the Government, for its sixth report, the recommendations of which we intend to take forward as I have just outlined.

Deputy Seán Ó Feargháil: Ós rud gurb é seo an chéad uair dom bheith anseo agus an tAire Stáit nua i láthair, ba mhaith liom comhghairdeas a ghabháil leis as ucht a cheapacháin. Tá súil agam go n-éireoidh go geal leis ina chuid oibre.

I am pleased to have the opportunity to contribute to the debate on this issue and on the progressive work of the Constitutional Convention. At the outset, I should reflect the points I have made to the Taoiseach on a number of occasions in the House in respect of the sense of disappointment on my part and that of many of the members of the convention regarding the timescales the Government originally set down. There were three such timescales, the first of which related to the convention's completing its work, the second to the Government's consideration of the reports submitted by the convention and the third to the House's evaluation of the individual reports. Only the convention met the time deadlines which were set down by the Government. I am sure the Minister of State will agree it is regrettable that the important business of the convention, which was assiduously addressed by its members and prioritised by the Taoiseach, has not been given the priority it deserves in Departments. It has been regularly stated at meetings of the Whips that the cause of the delay is that individual Ministers have found it inordinately difficult to generate from within their Departments the necessary reports required to respond to the proposals of the convention. In addition, discussion of the convention's reports has tended to be tagged onto the week's business in this House. I am not seeking to undermine any debate which might take place here, but it must be noted that the time avail-

able to us today to discuss the convention's sixth report is very limited. There is also a limited level of interest in participating in this debate, which is extremely regrettable.

I put it to the Minister of State that it was a mistake for the Seanad not to be included in the important convention process from the outset.

11 o'clock

I am certain that if these reports had been brought before the Upper House, they would have been considered in far greater detail than they have been in this House, sadly, which is a cause of some regret. I hope the reason for this is not that there was an arrogant assumption on the part of the Government that the Seanad would no longer exist by the time the reports fell to be discovered.

Fianna Fáil took the view that the remit of the Constitutional Convention was too narrow and expressed fears about the Government's role. However, the convention has proved to be highly effective. The hard work of those involved and the attentiveness of the participants have yielded results that will help to reshape our way of doing politics in this country. It would be a shame if the Government prevaricated further on the matters involved or spurned the opportunity presented. We need to re-engage citizens who are increasingly tired with the way we do politics. Working through the convention was a step but only one towards that end. I hope the Government will revitalise the work of the convention with a fresh push. This needs a clear timeline for debates and, ultimately, future referendums, where necessary. I trust that next week's memorandum to the Cabinet, to which the Taoiseach referred yesterday and to which the Minister of State has just referred, will meet these criteria. Putting it on the long finger will only do more harm.

Fianna Fáil supports the Constitutional Convention's decision to remove the blasphemy provision from Article 40.6 of the Constitution. Its replacement with a new provision covering incitement to religious hatred, backed up by fresh legislation, would be a more effective mechanism in protecting the unique sensibilities of deeply held religious beliefs. The current provision has, effectively, proved to be unworkable, with the result that its role in protecting the distinctive sensibilities of religious groups has not really materialised. Furthermore, the ethnocentric definition of blasphemy is widely seen as outdated in an Ireland that has changed immensely since the 1937 Constitution was promulgated. It is important that any new provision strike the delicate balance necessary between freedom of speech, the cornerstone of human dignity, and respect for deeply held religious values. It is possible to strike this balance and put in place a framework whereby the Constitution would reflect a pluralistic Ireland that respected the wide belief systems of its citizens.

There are four specific reasons we should replace the existing provision. Freedom of expression is the cornerstone of a democratic society. Any constraint on it must be clear and limited, but that is not the case with blasphemy under Article 40. Freedom of speech is a vital part of the development of any human being. We should always be vigilant in any constraint placed on it in the name of the public good. The lack of clarity on the definition of blasphemy has meant that this explicit restriction on freedom of speech remains vague. In the United Kingdom, for example, common law cases defined it as referring solely to the Christian definition of "God" rather than any other religious deity.

The lack of clarity has also meant that no case has ever arisen in Ireland, as the Minister of

State noted. It remains unclear if religious sensibilities based on unique fundamental ideals are protected from unwarranted and inflammatory attack. The content of the offence of blasphemy is also unclear. The Law Reform Commission observed that the offence was “totally uncertain as to both its *actus reus* and its *mens rea*”, terms applying to the guilty act and the guilty intention, respectively. The special place of religious beliefs and non-beliefs needs to be recognised and protected in a clear and legally sound manner.

The offence of blasphemy is an ethnocentric Judeo-Christian definition and not appropriate in a modern liberal democracy in which all beliefs should be respected. The fact that case law in the United Kingdom has limited blasphemy to the Anglican tradition excludes other religions in an increasingly diverse society. Its inclusion in the Constitution reflects the deeply Catholic society that created it in 1937. Reforming the Constitution would allow us to mirror the shifts in Irish life and the need to show a more diverse society. Respecting the beliefs of all traditions and none is vital in a democratic liberal republic.

Autocratic regimes throughout the world are citing Ireland as an example in respect of blasphemy laws in creating stringent limits to freedom of expression. It is deeply unfortunate that autocratic regimes across the globe are citing Irish law as a pretext for introducing blasphemy provisions in their constitutions. For example, Indonesia is one of several Islamic states that have cited Irish blasphemy legislation in support and defence of their own blasphemy laws. Irish blasphemy law was cited as an authority in support of Indonesia’s constitutional court’s decision to uphold its law prohibiting blasphemy in 2010.

Alexander Aan is a 32 year old Indonesian civil servant who started an atheist group on Facebook on which he published articles about Mohammed and questioned the existence of God. He was beaten up by his work colleagues, arrested for blasphemy, jailed for two and a half years and fined the equivalent of \$10,000. As a liberal democratic country in western Europe and part of the European Union, Ireland has been used as a pretext for these oppressive laws and systemic discrimination, often against Christians or other religious groups that do not accord with the majority. There is a moral obligation on Ireland, therefore, as a democratic nation, to stand up for human rights, of which freedom of expression and speech is one of the most fundamental. Ambiguity on the issue undermines Ireland’s international role.

A new provision on blasphemy and fresh legislation would protect deeply held religious beliefs more effectively. The debate at the convention agreed on a new provision that would recognise the concerns expressed around the need to protect religious beliefs. It mirrored the view of the 1996 Constitutional Review Group:

The Review Group considers that the retention of the constitutional offence of blasphemy is not appropriate. The contents of the offence are totally unclear and are potentially at variance with guarantees of free speech and freedom of conscience in a pluralistic society. Moreover, there has been no prosecution for blasphemy in the history of the State. In so far as the protection of religious beliefs and sensibilities is necessary, this is best achieved by carefully defined legislation along the lines of the Prohibition of Incitement to Hatred Act 1989 which applies equally to all religious groups, but which at the same time took care to respect fundamental values of free speech and freedom of conscience.

Putting in place renewed provisions would provide a constitutional and legislative bulwark against intolerance of any form.

While blasphemy seems outdated to us today, religious belief continues to form a core part of the daily lives of the majority of people on this island. It plays a positive role in shaping the value system of a society that cherishes the innate and non-negotiable dignity of every human. I am profoundly weary of any cultural war whereby we seek to eliminate religious values from public life. The separation of Church and State is a cornerstone of the republic, one of which we are proud, but it should not be misconstrued as the complete removal of religion from public life and debate. Religious values have a vital place in our national discourse and must be respected. We would be the poorer were that not to be the case. Changing Article 40 would be a step in the right direction towards protecting religious sensibilities and moving away from a restricted ethnocentric religious view. New legislation would strengthen this approach.

I trust the Government will take on board the debate in the House today and views from the convention and move towards a referendum in the near future. I welcome the commitment the Minister of State has given in this regard. Those of us who participated at the convention accept that the Constitution, while having served us rather well, would benefit from rejuvenation to reflect the modern Ireland in which we are all happy to live. With these thoughts, I commend the recommendation of the Constitutional Convention to the House. It is welcome that the Government has taken the proposal on board and I look forward to those in my political party being able to be enthusiastic supporters of the referendum when the matter is eventually put to the people.

Deputy Michael Colreavy: People outside this building in the real world - the Paddys and Patricias as the Taoiseach likes to refer to them - are scratching their heads and wondering why given the state of the nation and the challenges some of them face, the Parliament is spending so much time debating blasphemy. Tomorrow I have to meet a family originally from Slovakia in my constituency. There are five children, including three who are Irish born. The family has been deemed by the Department of Social Protection not to qualify for welfare support under the habitual residence condition, which means the parents do not qualify for the jobseeker's allowance or even for supplementary welfare payments. The family is homeless, including three infants who were born in this country, without money for food and has no hope. The State's doors are being closed on them. If we want to talk about morality, we should talk about a State that is prepared to see children go homeless and hungry before we spend so much time discussing blasphemy. It is blasphemous to be talking about blasphemy when humans are being hurt like this. However, that is the Ireland in which we live today, the Ireland of the closed doors. That is the Ireland where the inflexibility of rules is the immorality surrounding us.

In 2009, the then Fianna Fáil Government tabled an amendment to the Defamation Bill, which provided that "a person who publishes or utters blasphemous matter shall be guilty of an offence and shall be liable upon conviction on indictment to a fine not exceeding €100,000." This Act also allows members of the Garda to obtain a warrant to enter any premises to remove documentation that might be blasphemous.

The 1937 Constitution upholds this attempt to nullify blasphemy under Article 40.6.1 of the Constitution. However, the Oireachtas Committee on the Constitution recommended as long ago as 1996 that this provision should be removed and this view was endorsed by the Law Reform Commission. Most recently, it was the view of the Constitutional Convention that blasphemy should be removed from the Constitution.

Blasphemy laws were first introduced to protect churches from public criticism and were used to suppress voices of dissent against their rule. The first blasphemy laws that can be found

in common law can be traced back to protecting the Anglican religion, which, as the established church, was part and parcel of the law of the land. The charge of blasphemy was used throughout the 20th century as a means of silencing dissenting voices to what was perceived to be the natural order of things. In 1938, Cardinal McRory of Armagh called for a conference on atheism to be banned. In 1929, the Dean of Tuam called on local vigilance committees to deal with newsagents which sold “blasphemous” literature “as they thought best”. Dr. Gilmartin, Archbishop of Tuam, in 1930 praised Mussolini as “a great head” of state for banning blasphemous language in public places. The archbishop bemoaned the fact that Ireland was not more like fascist Italy. In a more sinister turn of events, two members of the Jehovah’s Witnesses community were set upon in County Clare in 1956 by a gang, including a Catholic priest, for spreading “blasphemous” literature. The judge in the case that followed sided with the attacker claiming that the Jehovah’s Witnesses had escaped very lightly.

Religious defamation laws are not the right way to achieve tolerance, mutual respect and equality. Blasphemy is not a valid offence in public law, and should not be a criminal offence in a democratic society that respects diversity. It is not an acceptable limitation on the fundamental rights to freedom of opinion and expression and it should have no place in the Constitution. Rather, religious groups and non-believers alike must be adequately protected from incitement to hatred and discrimination on the grounds of religion, which must be legally prohibited, and such protections of religious minorities’ right to equality should be constitutionally entrenched in a Bill of rights and in any all-Ireland charter of rights.

Freedom of belief and of religion are rights of special importance to the major traditions on this island, each with its own historical experience of official suppression by the State. However, despite significant advances by the peace process and under the Good Friday Agreement, sectarian violence continues to plague our country. Constitutional protection of plurality of belief and robust constitutional prohibition of discrimination, harassment or incitement to hatred on grounds of religious belief are needed to underwrite national reconciliation on the basis of equality and parity of esteem. In contrast, the continued presence of a blasphemy offence in the 1937 Constitution can only act as a barrier to building Unionist confidence in a unified future.

With regard to international law, freedom of expression is guaranteed under Article 10 of the European Convention on Human Rights, although subsection 2 allows for exceptions on the usual safety-security grounds and for the protection of “morals”. In the 1989 case *Wingrove v. UK* the European Court of Human Rights found that the country’s blasphemy law did not violate Article 10. However, two aspects of this decision should be noted. First, it is 20 years old and, second, the case dealt with the denial of a certificate by the British Film Board. It cannot be assumed that a 21st century European Court, faced with a law that resulted in a criminal prosecution and a €100,000 fine, would reach the same conclusion.

The Satanic Verses is an example of a publication that could very easily have fallen foul of this law. Attempts to prosecute it in England failed only because the blasphemy law in place at the time, which has since been abolished entirely, applied only to the Church of England and not other religions. The Danish cartoons could also be prohibited under this law. The *Conway v. Independent Newspapers* case, in which a prosecution failed only because of the absence of anything like the amendment being considered, dealt with a cartoon portraying Catholicism as anti-progressive. Whatever offence these materials may cause to some, criminal prosecution is hardly an appropriate response.

The charge of the offence of blasphemy has clearly been extended to enforce censorship.

The State has had a very poor relationship with censorship. For many years, some of our most promising and gifted authors had their works banned in the Twenty-six Counties under what was, effectively, moral guidance disseminated by the State. This resulted in a suppression of the arts and while Ireland produced many talented artists and writers, they were not allowed the freedom they should have been given. Writers such as Edna O'Brien and Brendan Behan who are now celebrated once witnessed their novels being suppressed. This is what occurs when the State tries to enshrine in law measures that attempt to bring about respect, tolerance and mutual understanding but which are subsequently used by organisations and individuals to suppress freedom of expression. As such, blasphemy provisions should not be included in legislation.

Deputy Clare Daly: It is incredible in a modern society that Deputies are spending time discussing the inclusion in legislation of measures on blasphemy. These provisions should not have been introduced in the first instance.

I have a certain sympathy for Deputy Michael Colreavy's argument that it is convenient for the Government that the House is discussing this issue as it can pretend to be delivering progress at a time when many families and individuals are terrified that they will not be able to make ends meet following the imposition yesterday of water charges as part of continuing Government austerity measures. That said, the House should discuss these issues more rather than less often.

The Constitutional Convention was an unprecedented exercise in participation. It is regrettable that the House is discussing its sixth report, given that its fourth and fifth reports have not yet been dealt with. The deadline for a response to the fourth report was December 2013. I note the Minister's comment that the convention's reports will be dealt with in the lifetime of the Government. I am not sure this will be possible because the lifetime of the Government has been considerably shortened recently. Some of the participants in the convention are disappointed that not enough has been done in response to some of its reports. I share their disappointment and encourage the Minister of State, in his remaining time in office, to address, as effectively as possible, the issues raised in the reports.

Our approach to the issue of blasphemy has been consistent only in its inconsistency. In 2009, when Deputy Micheál Martin was Minister for Foreign Affairs, he opposed an attempt by Islamic states at United Nations level to make defamation of religion a crime. In a speech at the time he stated:

We believe that the concept of defamation of religion is not consistent with the promotion and protection of human rights. It can be used to justify arbitrary limitations on, or the denial of, freedom of expression. Indeed, Ireland considers that freedom of expression is a key and inherent element in the manifestation of freedom of thought and conscience and as such is complementary to freedom of religion or belief.

It is difficult to disagree with any of the sentiments expressed by the then Minister. A couple of months later, however, his colleague, the then Minister for Justice, Equality and Law Reform, Mr. Dermot Ahern, introduced legislation on blasphemy that was in direct conflict with the position the then Minister for Foreign Affairs had adopted. It would be difficult to make this up. Under the Defamation Act of 2009, "blasphemy" was defined as the publication or utterance of "matter that is grossly abusive or insulting in relation to matters held sacred by any religion, thereby causing outrage among a substantial number of the adherents of that religion". While some defences are permitted under the Act, its provisions on blasphemy contravene Ar-

article 14 of the European Convention on Human Rights which prohibits discrimination.

We live in a world with competing and, sometimes, clashing viewpoints on the nature and origin of the universe, ethics and other matters. Only religious viewpoints have been made exempt from robust criticism, while the non-religious outlook is not so protected. I will give the example of attitudes to homosexuality. The sacred texts of several of the world's major religions state in clear language that homosexuality is an abomination and that the death penalty should be applied to gay people. In some countries gay people are murdered under the law, while a large number of other countries take a more pick-and-mix approach to the holy books and the death penalty is not advocated for gay people. Nevertheless, one finds that the homophobia and discrimination against gay people that prevail among the various conservative religious outlooks are rooted in passages taken from religious holy books.

Let us examine the other side of this argument. Those who hold a liberal and secular world view also hold sacred and cherished beliefs about the treatment of gay people. All instances of homophobia and discrimination against gay people are offensive in their value system. If a person of a liberal, secular disposition were to openly condemn religious texts or the founders of certain religions for inspiring centuries of hate and discrimination against gay people, some religious people would be deeply offended, not on the basis of the accusation but on account of the fact that they believe their views alone should be protected. We must address that issue.

The legislative provisions on blasphemy are flawed. They stem from constitutional provisions that protect religious views from offence but do not extend similar rights to anyone else. The cost of living in a society that values freedom of expression is that one must tolerate the views expressed by others, especially views one does not like. Noam Chomsky put it well when he stated those who do not believe in freedom of expression for the people they despised did not believe in it at all. I share that view. None of us has the right to be protected from feeling offended by views that are contrary to our own. A society that cherishes free speech, freedom of conscience and freedom of expression cannot have on its statute books a law that protects religious ideas, while discriminating against free speech for those who are critical of religion. We need to address this issue by fostering a culture in which no ideas are afforded protections beyond those already in place.

I note the Minister's statement that the Government supports the proposal to delete the relevant passage from the Constitution. While I welcome that undertaking, I am a little concerned about what will happen next, given the inference that new legislation may be introduced to replace the current law. The Constitutional Convention was divided on whether to take this approach. Replacement legislation is not needed because incitement to hatred on religious grounds is already covered by the Prohibition of Incitement to Hatred Act 1989 which specifically protects individual citizens from being the target of hate, violence and mistreatment on the basis of their religion, lack of religion, race, gender, nationality, ethnicity or sexuality. It is correct that the State should protect people from becoming the target of religious hatred. The law on blasphemy should be repealed, however, as occurred in the United Kingdom, on the basis that one can commit incitement to religious hatred against people but one cannot commit blasphemy against a person. Given that these are two different issues, our approach to them must also be different.

This is 2014 and Ireland is limping towards becoming a more secular country. In that context, the 1937 Constitution needs to be radically reformed and any legislation arising from it should be eliminated. This would bring us closer to becoming a real republic and, I hope, a step

closer to achieving complete separation of Church and State. I would probably disagree with Deputy Ó Fearghail. I am all in favour of protecting people's right to practice their religion and to have their religious ceremonies but that should be kept separate from matters of State. At a practical level, we can see that there is the recital of a prayer at the start of the day here which, to me, is offensive. I do not think that has a place in modern Ireland. We therefore need to go a lot further with the separation of church and State which is still there in a religious context in our education system and health service.

According to the way in which the legislation is framed, the blasphemy must cause outrage for it to be blasphemous. That is like an incitement to cause outrage in that people would have to demonstrate that they are outraged. It is a bit like what happened at the time of the Danish cartoon when people were mobilised to express their outrage. We should encourage people to be more proportionate in their views.

The blasphemy law purports to protect religions from blasphemy but it is actually encouraging division between different religions and different sects within a religion. One person's idea of what might be blasphemous is often another person's sacred belief. One only has to look at the Catholic-Protestant and Sunni-Shiite conflicts as prime examples.

Deputy Ó Fearghail mentioned how our blasphemy laws have been used internationally, which is a critically important point in this debate. It is outrageous that the Organisation of Islamic Co-operation, OIC, has used the Irish law's wording as a model for a proposal to the United Nations to push for that to be a normative principle in international law and to encourage other states to pass anti-blasphemy legislation. Countries such as Saudi Arabia, Iran and Pakistan have been roundly condemned by Human Rights Watch for their grave violation of human rights. Pakistan is a leading member of the OIC, which holds the Irish law up as a model. Human Rights Watch had this to say:

Pakistan's vaguely worded blasphemy law has led to discrimination, persecution and murder since its imposition almost three decades ago. It should be reformed or repealed immediately. It is appalling that lawyers who defend the rights of people charged with blasphemy should themselves become the targets of deadly violence.

It is sickening that in 2011, when Ireland's blasphemy laws were being applauded by the Organisation of Islamic Co-operation, people in Pakistan were being jailed or sentenced to death for blasphemy. Even critics of the blasphemy law lived in mortal danger. The Moslem governor of Punjab defended a 20 year old Christian woman who was sentenced to death on the hearsay evidence of her neighbours that she had allegedly blasphemed. That governor protected the woman and called for the blasphemy legislation to be repealed. He then became a target of calls for his assassination. He was eventually assassinated by his bodyguard who was applauded and escorted into court by hundreds of people championing him as a great hero. That is where blasphemy laws can lead to in extreme circumstances. They do infringe freedom of speech and expression. They can be used by one majority religion to discriminate against a minority religion or a rival sect.

Let's face it, for Ireland to be cited by countries like Pakistan as having the best practice makes us worse than bedfellows. We are really on the other end of the scale. It must be removed from the Constitution and we do not need any replacement legislation to fill the vacuum. We should aspire to be a republic that cherishes all the children of the nation equally, as well as encouraging and welcoming the divergent views of its citizens, as long as those views are

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held respectfully. We have sufficient protection on the Statute Book to ensure that is the case. Eliminating these blasphemy laws will lead us in the direction, at least at the top, of setting the tone of a more tolerant and accommodating society.

Deputy James Bannon: I welcome the Minister of State, Deputy Aodhán Ó Riordáin, and congratulate him on being appointed to his new portfolio.

Since this Government came to power in March 2011, we have shown a clear desire and commitment towards constitutional reform. Indeed, the Government has already instigated a considerable amount of such reform. Since our first two referenda in October 2011, we have now held a total of six referenda. They have all tried to address a number of topics in Irish society from judges' remuneration to the children's referendum.

I welcomed the establishment of the Constitutional Convention as it was a new means of examining constitutional reform, while at the same time providing a direct voice for the citizens of Ireland. I was present at the convention's first meeting in December 2012. The membership was made up of 66 randomly selected citizens, 33 politicians from both Houses of the Oireachtas and members of the Northern Ireland Assembly.

The convention produced nine reports in total, all of which have been laid before the Houses of the Oireachtas. I was honoured to have been appointed and to have been involved in a wide range of discussions. I am pleased to have played my own part in contributing to the debate on constitutional reform. We have recently seen the publication of the Government's priorities going forward to 2016, which clearly reaffirm this Government's commitment to bringing forward legislative reform for the remaining reports of the Constitutional Convention. I will be pressing the Government to ensure that these commitments are upheld.

With regard to the sixth report, we had impressive speakers and expert presentations on the issue of removing blasphemy from the Constitution. Many pointed out the constitutional position, the current statutory position and the historical background to defining blasphemy in Ireland. We also had a large amount of people asking what was the proper role of government.

Throughout my time in public life, I have always believed the proper role of government is to protect equal rights, not equal things. We are all born equal, not in abilities or talents but equal under the law and equal in our rights. We need honest and fair government to secure those rights.

As regards such rights, the Constitution continues to prohibit the publication of blasphemous material. The Defamation Act 2009 makes it clear what is meant by this, namely, material which is grossly abusive or insulting on religious grounds. The law is thus aimed at protecting individuals from offence. It is my belief, therefore, that the Constitution is aimed at protecting individuals from offence. The exclusion on blasphemy serves to safeguard the right of believers from offence. It protects the rights of citizens to express freely their convictions and opinions, and their duty to honour religion. I strongly believe the constitutional provision on blasphemy should be retained in the Constitution. This is my personal belief and always has been.

I wish to pay tribute to the chairman of the Constitutional Convention, Mr. Tom Arnold, and all his staff for the very fine job they have done. Mr. Arnold was an exceptionally good chairperson who encouraged debate and motivated people throughout all the sessions that were held. He proved himself to be a person of great ability and integrity. He got fine speakers and everyone's opinion was listened to at the convention. Mr. Arnold would make a great leader of

any political party in this land.

Deputy Seán Ó Fearghail: Is the Deputy expecting a vacancy?

Acting Chairman (Deputy Charlie McConalogue): I call the Minister of State. He has five minutes.

Minister of State at the Department of Justice and Equality (Deputy Aodhán Ó Ríordáin): I am conscious that there are some secondary school students in the Visitors Gallery who may be interested in this debate because the Constitutional Convention was established because we wanted to have a Constitution that was not reflective of the Ireland of 1937 and was more reflective of the Ireland in which young people lived. This is interesting because, when the convention was established, it was suggested it was a waste of time and money and a vanity project. We were experiencing an economic disaster and economic issues were regarded as much more pressing and it was said we should not spend our time discussing issues related to the Constitution. However, in fairness to anyone who held that view but delved further into the issues presented in the weekend debates, generally in the Grand Hotel in Malahide, adopted a different view of how the Constitutional Convention worked. I echo the sentiments of Deputy James Bannon on the chairmanship of the debates by Mr. Tom Arnold.

As a result of the work of the convention, there are to be three referendums next year, one of which will definitely be of interest to the students listening to the debate in the Visitors Gallery because it will be on the lowering of the voting age to 16 years. There is to be a referendum on same-sex marriage and one on the Presidency.

A number of criticisms were made in the House and I appreciate the comments made. One was that debates such as this should not be happening at all because there were more pressing matters than a discussion on blasphemy. Another was that we should not be tagging on this debate at the end of the week in the Dáil. A reasonable position probably lies somewhere in between.

As echoed across the House, there is a danger of referendum fatigue. We have had quite a few referendums and there are to be some more next year. It was announced today that the intention was to hold a referendum on blasphemy. The issue is not so much that we have two competing rights but two very deeply cherished rights, one being the sacred right to freedom of speech, while the other concerns the freedom to practise one's religion. The suggestion of the Constitutional Convention and my belief is that the provision on the offence of blasphemy does not belong in the Constitution. It is the kind of matter Members should be charged to address legislatively. There is no intention to replace the provision within the Constitution in legislative frameworks, but, at the same time, the Prohibition of Incitement to Hatred Act 1989 could readily deal with the issues being discussed.

We will have plenty of time to toss over and back the arguments on this issue. The Constitution should be a living document, not one necessarily set in stone. People should be sufficiently comfortable with it and sufficiently open-minded and generous of spirit to revisit it as time passes and different circumstances arise. I appreciate the comments made. There has been much discussion on the 2009 Act which, in fairness to the previous Government, emerged as a result of the Corway case and a recommendation from the Attorney General that the judgment be legislated for. That was the context to the 2009 Act on blasphemy. If we were to remove the offence of blasphemy from the Constitution, we would have a better chance of revisiting

the Act.

I thank all contributors whose contributions are very much appreciated. We will have a chance in public discourse to discuss this issue much more thoroughly before it is put to the people in order that they can make their final decision on it.

Sitting suspended at 11.44 a.m. and resumed at 11.47 a.m.

Public Health (Standardised Packaging of Tobacco) Bill 2014 [Seanad]: Second Stage (Resumed)

Question again proposed: “That the Bill be now read a Second Time.”

Deputy Brian Walsh: I welcome the continued involvement of the Minister for Children and Youth Affairs, Deputy James Reilly, in this issue. He sponsored and promoted the Bill during his term as Minister for Health. In many ways, it overlaps with his new departmental portfolio because it is very important that we encourage children not to engage in the filthy habit of smoking. I am proud to say this Dáil, under the guidance of the Minister for Health and the Minister for Children and Youth Affairs, has made significant progress in fighting the tobacco industry in this country. Upon enactment of this legislation, Ireland will be poised to become only the second country in the world to introduce standardised tobacco packaging as a measure to combat smoking. We are leading the way internationally in the fight against an extremely harmful drug that is deeply rooted in our society. In fairness to the party opposite, Fianna Fáil, it did a considerable amount when in government to make progress in tackling this serious problem. The smoke is clearing, so to speak, and we can now see our way towards having a tobacco-free Ireland by 2025, which is the vision of the Government.

Many in the House and beyond were sparing in their praise of Deputy James Reilly during his term in office as Minister for Health, but even his most ardent detractors must applaud the determined efforts that have brought us to this stage in the fight against tobacco. His work will have a lasting impact on the health of the nation. Although it might be overshadowed by some of the Government’s significant economic achievements, it will ultimately constitute a very important part of its legacy, including that of the former Minister for Health and current Minister for Children and Youth Affairs, Deputy James Reilly.

This initiative is part of the Government’s broader programme of reform which aims to overhaul radically the health service. There is a lack of appreciation of the merits and scale of that challenge, not to mention a lack of appreciation of the fiscal constraints within which it is being undertaken. The Minister for Health, Deputy Leo Varadkar, is in the unenviable position of embarking on the most ambitious programme of reform of the health service since the foundation of the State, against a backdrop of drastically reduced resources. It is important to note that since 2008, almost €2 billion has been taken out of the health budget and the numbers employed in the health service have fallen by in excess of 14,000. No other Department has had to face these types of cuts. The budgets of some Departments were increased. I support the calls of the Minister, Deputy Varadkar, for a neutral budget for 2015 - for the projected outturn for this year to be matched in terms of his budget allocation for 2015.

I believe there is an inadequate understanding of the predicament concerning the Department of Health, whether that is because the message has been poorly communicated or has been

misrepresented. For instance, much has been made of late of the overruns in budgets, but these have always been a feature of Department of Health budgets.

I welcome this important legislation and commend the Minister for Children and Youth Affairs for his work in this regard.

Deputy Michael Creed: I welcome the opportunity to speak on this Bill, which proposes to make mandatory the plain packaging of cigarettes. I see this as a significant and legitimate public health measure.

We have a significant track record in this area and I pay tribute to a previous Minister for Health, Deputy Micheál Martin, who introduced the smoking ban in public houses. That was the first step along this difficult road. Make no mistake about it, but we are dealing with influential business concerns, deep pockets and people who will go to the end of the road to bring legal challenges to this measure. The Government must be prepared for that challenge. I have read up on the experience in Australia and on the behind the scene manoeuvres the tobacco industry there made to try to undermine the Australian Government's endeavours in this regard. We see shades of that happening already in the debate here.

This is a legitimate public health measure. It is interesting to see people in the Public Gallery today who stand to benefit most from this public health agenda, the children of the nation. There is ample evidence to suggest that the slick, sophisticated marketing employed by the tobacco industry is aimed at the younger generation in particular. We need to ensure we resist and forswear all efforts, legal and otherwise, to undermine this legitimate public health measure. That we have got to this stage is testimony to the Government's intent to ignore the bully boy tactics of the tobacco industry and I wish the Minister well in piloting this legislation through the House.

On a related public health issue, I urge the Minister to turn his attention now to the harmful impact the excessive consumption of alcohol inflicts on the public health and purse. I know this is an issue that is of concern to him, both in his professional capacity as a GP but also in his previous capacity as Minister for Health. Welcome as this legislation is, it is illogical that the Exchequer is raped on an annual basis to the tune of €21 million by the continuing licence to sell alcohol below cost. This is an absurd taxpayer subsidy to the drinks industry. I regret that the Government seems to be abdicating its responsibility currently in respect of minimum pricing for alcohol, until such time as we have an EU Commission ruling on the Scottish proposals. However, I suggest as an interim measure, the Minister could, at the stroke of a pen, reintroduce the groceries order to target specifically the below cost selling of alcohol. This would send a clear signal that we are serious about public health measures.

I am aware of ongoing efforts to conclude a transatlantic trade agreement between the EU and the US, but it is important we ensure that within that agreement we leave no loophole or backdoor that will allow the tobacco industry to sue the State in respect of proposals we have in regard to this plain packaging legislation. I note from the Australian experience that the large tobacco companies there moved their business interests, via a Hong Kong-Australia trade agreement, to Hong Kong to avail of an opportunity to sue the Australian Government. In any legal dispute, legal opinion will be available to suit the client, but notwithstanding the tobacco company endeavour it is believed the Australian Government will succeed with its measure.

Concerns have been raised by the tobacco industry and tobacco retailers, who no doubt are

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being funded by the tobacco industry to make their case, that all this Bill will achieve will be to drive the purchase of illegal, non-duty paid cigarettes. There is a significant loss to the Exchequer from non-duty paid cigarettes. In 2010, some 128 million illegal cigarettes were seized by Revenue. Unfortunately, the detection rate of the illegal trade has reduced significantly over the years. I do not know whether this is an issue of resources in the Revenue Commissioners or Customs and Excise or whether it is an issue of Garda resources. Detection dropped consistently from 128 million cigarettes in 2010 to 109 million in 2011, 95 million in 2012 and in the region of 40 million in 2013. This is a significant drop in detection rates of illegal cigarettes. Those of us who walk the streets of the capital, particularly the streets off O'Connell Street, will see street sellers selling illegal cigarettes. We need to confront these people because this activity fuels illegal activity, criminal gangs and paramilitary organisations which have been responsible for most heinous crimes.

We need to deal with this issue and must ensure we provide the additional resources required where necessary, whether that means more gardaí on our streets to confiscate these cigarettes or more customs officers at our airports and ports. I commend the endeavours they make currently in this regard, but if there is an issue with regard to resources, the State must be prepared to provide those resources. Grant Thornton suggested that the illegal trade in cigarettes costs the Irish economy approximately €700 million a year. I cannot verify the accuracy of that figure, but it is a significant amount. Think of what we could do with those moneys.

We are in the run up to the budget and pleas are being made to the Minister from all sides on these issues. I would support a further increase in excise duty and VAT on cigarettes. It is a public health issue and while it is price sensitive, we must take into account the illegal trade in cigarettes and make every effort to ensure adequate resources are put in to tackle that. I am glad to have had the opportunity to comment on this issue. I wish the Minister well but have no doubt the Government will come under continuing significant pressure to water down, amend or drop this legislation. I urge them not to do so.

I urge the Minister to take up the issue of the below cost selling of alcohol, particularly in our multiples, and the issue of grossly offensive advertising to increase footfall. He should consider also the consequent knock-on effects in the on-licence trade and the subsidy, in terms of refunds from Revenue on excise and VAT to the multiples of approximately €21 million. It is grossly offensive to taxpayers to find they are subsidising the sale of below cost alcohol.

Debate adjourned.

12 o'clock

Topical Issue Matters

Acting Chairman (Deputy Charlie McConalogue): 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) Deputies Lucinda Creighton and Peter Mathews - the need to ensure parental choice for secondary schools is preserved; (2) Deputies Pat Breen and Kieran O'Donnell - the need to alleviate the overcrowding in the accident and emergency unit at University Hospital Limerick; (3) Deputy Thomas P. Broughan - the programme and targets

in relation to the future strategic infrastructure required for Dublin city and Fingal county; (4) Deputy Robert Troy - the need to address the funding crisis currently being experienced by St. Christopher's Care Centre, Longford; (5) Deputy Patrick O'Donovan - the need to examine the Labour Court recommendation of 2008 in respect of pension payments for community employment supervisors and assistant supervisors; (6) Deputy Brendan Smith - the decision by RTE to end long-wave radio transmissions; (7) Deputy Seamus Kirk - the claims that a fifth of members the Defence Forces are affected by poverty; (8) Deputy Terence Flanagan - the need to introduce a cap on the interest that can be charged in moneylender loans; (9) Deputy Richard Boyd Barrett - the European Commission's investigation into the corporate tax rate here and possible deals with certain multinational companies; (10) Deputy Seán Ó Feargháil - the appointment procedure for members of State boards; (11) Deputy Seán Kyne - the need to review the funding application decision for Connemara community radio; (12) Deputy Dessie Ellis - the measures in place to tackle the misuse of small off-road vehicles in public parks and green areas; (13) Deputy Noel Coonan - the need to allocate funding towards the provision of additional staff to Teagasc; (14) Deputy Mick Wallace - the need to review Part V of the Planning Act in relation to the delivery of social housing; (15) Deputy Clare Daly - the severe cuts being proposed for thousands of members of the Irish Airlines Superannuation Scheme in Dublin, Cork and Shannon; (16) Deputy Joan Collins - the proposed redress scheme for survivors of symphysiotomy; (17) Deputy Helen McEntee - the increase in the retention fee for members of the Nursing and Midwifery Board of Ireland; (18) Deputy Mary Mitchell O'Connor - the need to abolish the 0.6% pension levy; and (19) Deputy Joe Costello - the need to put in place new educational facilities for All Hallows College, Dublin.

The matters raised by Deputies Lucinda Creighton and Peter Mathews; Pat Breen and Kieran O'Donnell; Robert Troy; and Dessie Ellis have been selected for discussion.

Leaders' Questions

Deputy Robert Troy: It is good to see the Tánaiste and Labour Ministers back on the Front Bench this week. They were certainly notable by their absence for the past two days.

Deputy Finian McGrath: On the run.

Deputy Robert Troy: It would seem that every effort is being made by the Minister, Deputy Noonan, and others in Fine Gael to move on from Mr. McNulty's appointment to the board of the Irish Museum of Modern Art to allow him to qualify for the Seanad by-election. This is not going to happen until the basic questions are answered about the whole debacle. Some are saying this is an internal matter for Fine Gael when, in fact, it is far from that. We have the ludicrous situation in which the Minister, Deputy Humphreys, has not addressed this House or taken questions about her involvement in this matter, yet she was able to address the Fine Gael Parliamentary Party last night. She issued a press release on Tuesday night which said she had appointed Mr. McNulty to IMMA on his merits and she was aware that he was one of many people being considered for the Seanad vacancy. The Taoiseach is blaming unnamed Fine Gael officials and has apologised for what he wants us to believe is a complete coincidence, with Mr. McNulty's selection for the Seanad by-election being entirely separate from his appointment to IMMA. This is the IMMA board which had its membership extended to facilitate such an appointment.

Last week the Tánaiste stated her preference for a public appointments board to make State

appointments but, other than that, the silence from the Labour Party has been deafening. Does the Tánaiste believe that Mr. McNulty's appointment to the IMMA board was a coincidence and not linked to the Seanad by-election? Had she reservations about this appointment and did she speak to the Taoiseach about it? Does she find it acceptable that the IMMA board was increased in size to facilitate this appointment in such a short space of time rather than waiting until a vacancy arose? Are we to believe that this is yet another coincidence? Does the Tánaiste not agree that the Minister, Deputy Humphreys, should come into the Dáil to answer questions on this issue? Can the Tánaiste confirm whether the Labour Party will be voting for Mr. McNulty?

The Tánaiste: The Deputy asked whether I had met the Taoiseach. I met the Taoiseach, along with the Ministers for Finance and Public Expenditure and Reform, Deputies Noonan and Howlin, briefly on Monday following a Cabinet sub-committee meeting. As the Deputy probably knows, there are a lot of Cabinet sub-committee meetings on a Monday. What I was focused on and remain focused on in regard to this particular series of events is that we should have in this State a system of appointment to State boards which actually ensures that the people appointed are the best range and mix of people to carry out efficiently and effectively the functions of the State board. I am happy to say that, in the brief discussion on Monday between myself, the Taoiseach, Deputy Noonan and Deputy Howlin, I proposed, and it was accepted, that we have a memo for Government, which the Minister, Deputy Howlin, was preparing at that point, in regard to appointments to State boards. I am happy to say the Cabinet at its meeting on Tuesday agreed to that.

With regard to State boards, if we look at the volume of public business, the volume of turnover and the thousands of people who are employed in different State organisations, we can see that it is important to have really qualified people on State boards, coming from a range of backgrounds. It is important that they come from business backgrounds and have experience of HR or public service, and, indeed, that they do not all, for example, come from Dublin 4 but from right around Ireland. We need a blend and a mix of people. The jobs of tens of thousands of workers in the public sector depend on efficient and effective functioning of the State board by which they are employed, and so do the public finances.

The Deputy also asked about my view in regard to the number of people on the IMMA board. I have always been a very regular visitor to IMMA. It is one of my favourite places in Dublin, as I am sure it is for lots of other people. To be honest, I do not have a view other than that I want to see the collections that are held by IMMA-----

Deputy Finian McGrath: How many northsiders are on the board?

The Tánaiste: -----which are of international importance and which attract a huge number of visitors to Kilmainham on a weekly and a yearly basis, remaining very much part of Ireland's cultural offering. A range of people need to be members of the IMMA board, including, obviously, people with experience and a background in the arts, but also people with business experience. More than that, I have never had any involvement in regard to the IMMA board except that, as I said, I am very fond of the work that IMMA does. It is a very fine national cultural institution and I wish it well.

Deputy Charlie McConalogue: Not many questions answered there.

Deputy Robert Troy: The Tánaiste and her party made a virtue of and won votes in the 2011 general election based on the promise of reforming the political system.

Deputy Finian McGrath: That is right.

Deputy Robert Troy: In the last number of days, while canvassing in Roscommon and Dublin, I saw that cynicism about the political system is rife.

Deputy Emmet Stagg: Created by the Deputy's party.

Deputy Robert Troy: What the Taoiseach has done in the last number of days, and been helped to do by the Tánaiste, has done nothing to dispel this.

Deputy Finian McGrath: High moral ground.

Deputy Robert Troy: Is the Tánaiste's silence over the last number of days on this piece of stroke politics-----

Deputy Emmet Stagg: Fianna Fáil invented stroke politics. They were past masters at it.

Deputy Robert Troy: -----a consequence of her own party's involvement in appointing political cronies to State boards? Does the Tánaiste agree with the Taoiseach's explanation over the last number of days that everything that has happened since this appointment has been coincidental? The Minister, Deputy Howlin, came out on Tuesday, after the Cabinet meeting and after the Cabinet sub-committee meeting on Monday, and confirmed that the Labour Party would, in fact, be voting for Mr. McNulty as the Government candidate in this by-election. Can the Tánaiste confirm whether that is still the case? Will the Labour Party be voting for Mr. McNulty in this by-election?

Deputy Emmet Stagg: It is a secret ballot.

Deputy Robert Troy: The Tánaiste talks about the political appointments process and how it is important to ensure that the right calibre of persons serve on political boards. I agree with the Tánaiste on this. However, since 2011, the Tánaiste herself, in her own Department, has appointed 13 people and only one of those has come through the public political appointments process.

The Tánaiste: That is wrong.

Deputy Robert Troy: That is in reply to a parliamentary question that was submitted prior to the summer. Perhaps the Tánaiste can confirm that, or else the reply to the parliamentary question is inaccurate.

Deputy Billy Kelleher: Or else she misled the Dáil in the reply to the parliamentary question.

An Leas-Cheann Comhairle: Will the Deputy ask a question, please?

Deputy Robert Troy: Will the Tánaiste confirm also, in regard to the political appointment to IMMA of the former Labour Party councillor in Dún Laoghaire-Rathdown, that she too meets the required standard to serve on that board?

The Tánaiste: I am really glad that a little progress is being made here by Fianna Fáil, notwithstanding the fact that it appointed 182 people to various boards in a rush between January and March 2011. I wonder why? I do not think Deputy Troy was a Member of that Dáil, so I welcome the fact that, as a fresh face in Fianna Fáil, he has now obviously agreed to an ap-

pointments system.

In respect of my own appointments, the details of which I will send to the Deputy, I appointed Mr. Eugene McErlean, an individual who spoke very forthrightly about banking issues, to the board of the Citizens' Information Board. I appointed him and was delighted to appoint somebody independent about whom I had only read previously through the media. I also appointed people to the board of the Pensions Authority, but the appointments to that board are set out in statute and it may come as a surprise to Fianna Fáil to learn that three women were appointed to the three-person board of the Pensions Authority. Again, I am prepared to stand over the appointment of women in very significant numbers to a State board.

Finally, Deputy Troy made a comment about former councillor Jane Dillon Byrne. I am not sure if the Deputy would be aware of this, but Jane Dillon Byrne has a lifelong involvement in sculpture in Ireland. She is a recognised person who is extensively and intensively involved in the arts, particularly sculpture and the visual arts, and also in theatre, particularly theatre in the Dún Laoghaire area. If she is not qualified to be on a board of a national cultural institution, I suspect that almost none of the many Fianna Fáil people who were appointed would be qualified.

(Interruptions).

An Leas-Cheann Comhairle: I ask Members to respect the Chair.

Deputy Mary Lou McDonald: As each day passes, the detail of the McNulty debacle becomes less and less clear. The Taoiseach says that mistakes were made, that he apologises, that standards were not kept and that he takes full responsibility for what happened, but when he is pressed to provide details, all we hear from him is waffle. On Monday, the Tánaiste confirmed that she had detailed discussions with the Taoiseach on these matters - not a brief discussion, as she has asserted here this morning. On the basis of her detailed discussions, can she tell us what exactly the Taoiseach is taking responsibility for and what role he personally played in the appointment of John McNulty to the board of the Irish Museum of Modern Art? Answers to these questions from the mouth of the Taoiseach have been as clear as mud, so we still do not know what happened and who was responsible for the clear abuses that took place. Has the Tánaiste raised these questions directly with the Taoiseach? As Tánaiste, has she demanded the clarity that in public the Taoiseach has failed to provide, and is she satisfied with the response that he has given in this Chamber and to the public?

The Tánaiste: I have explained this previously. My objective in respect of this issue is to ensure that a long-standing Labour Party policy on an application process relating to State boards is adopted. My discussions with the Taoiseach were very much concerned with that. On Friday evening, the Taoiseach made some comments of apology and explanation which, at that time, I welcomed warmly. Equally, I welcome the statements subsequently made by the Taoiseach.

On the day in question, when the body of a young man has finally been found for his distraught family, the action of the Taoiseach of this country in taking responsibility for something with regard to which he acknowledged a definite wrong existed is in marked contrast to the absence of Sinn Féin's leader. This was a very young man who has spent a long time in a lonely grave. I know his family are grateful to the people who came forward and gave that

information, but Deputy McDonald's moral tone of outrage, when she has nothing to say about what has been revealed in that bog in Meath, means that she certainly has two separate sets of standards, unless she wants to clarify that now.

Deputy Mary Lou McDonald: The Taoiseach's response to this episode of stroke politics is one of incoherence - studied incoherence - while the Tánaiste's response is one of studied evasion. She had detailed conversations with the Taoiseach on this matter. I find it hard to believe that in the course of those detailed discussions she did not ask the Taoiseach directly what his involvement with the appointment of Mr. McNulty to the board of IMMA was. I find that astonishing. Is the Tánaiste trying to tell us that she did not ask the Taoiseach that very obvious question? To the public looking on, the Taoiseach's fingerprints are all over this piece of stroke politics. He has been incoherent and has taken responsibility in a generalised sense, but for what specifically? He has avoided in a studied way answering clearly about his involvement with the appointment of this man - a political colleague, or crony, depending on one's vantage point - to this board. So the Tánaiste had these conversations with the Taoiseach. Did he tell her about it? Did she ask him? Has she got a clear sense of the sequence of events? Does she know precisely what happened, and if she does, is she prepared to share it with the Dáil?

This is not an internal Fine Gael matter. The Fine Gael piece is a matter for Fine Gael, but stroke politics and pulling a fast one in appointing a person - who I am sure is a fine person - to a board are not acceptable. The Tánaiste has said that repeatedly. What was the Taoiseach's involvement? What did he tell the Tánaiste, and will she share it with the Dáil?

The Tánaiste: The Taoiseach has now explained on a number of occasions the circumstances relating to this course of events. He has done so at various media opportunities and on several occasions in the Dáil. I have not heard anything beyond what I have heard or read in the media or the Dáil.

(Interruptions).

The Tánaiste: The Deputy should allow me to answer. She is speaking about silence, evasion and refusal to answer questions. I have a list of ten members of Sinn Féin who have been appointed to various boards recently. I will repeat it slowly so the Deputy can understand it. A very serious reform process is to be undertaken in respect of appointments to State boards.

Deputy Peadar Tóibín: Some time in the future.

The Tánaiste: Deputy Tóibín can disagree with my approach, but what is important is to bring about an appointment process to State boards that actually sets out the skill sets required, because these are very important public investments on which a considerable amount of taxpayers' money is spent and in which many people work. We are not talking about trivial point scoring. We are talking about important boards. I am explaining this to Deputy McDonald. I want to see an appointment process that sets out for each Department the boards under its remit, the skill sets required in regard to those boards and the diversity required of different boards, whether that involves regional, gender or other diversity. I make no apology for saying that has been my approach. We have to consider this in terms of the reform process. In my view, that is the way to go, and I am happy to say that the Taoiseach has agreed. The memo was agreed at Cabinet and published shortly thereafter by my colleague, the Minister, Deputy Howlin. It will mark a new stage regarding clarity, appropriateness and transparency in regard to the public and

citizens in respect of board appointments.

Where there have been public board appointments in my Department, I have always used the public appointments system. The Department does not have a huge number of boards so there are very few such appointments. It is a system which, while not perfect, will work well in drawing out the best people for appointments to boards. All parties, particularly Sinn Féin, have shown a heavy preference, for reasons they have always explained, for appointing their own supporters to boards where they had an opportunity to do so. I have a full list-----

Deputy Caoimhghín Ó Caoláin: Can we have clarity in regard to Mr. McNulty's appointment and the Tánaiste's knowledge of it?

The Tánaiste: -----of all of the different appointments Sinn Féin has made, presumably because it believed its party people were the appropriate ones for particular boards.

Deputy Caoimhghín Ó Caoláin: The Tánaiste is refusing to answer the question.

The Tánaiste: Sinn Féin is not unknowing in regard to board appointments in its own party. As the leader of the Labour Party, I have set out to have a clear system. At the end of the day, Ministers will still make a selection, and it is important that they do so because tens of thousands of jobs depend on the proper functioning of State and public boards to give service to citizens and ensure proper terms and conditions for the people employed in those bodies.

Deputy Mary Lou McDonald: I am allowed a point of order.

An Leas-Cheann Comhairle: Yes, if it is in order.

Deputy Mary Lou McDonald: I wish the record of the House to reflect that the Tánaiste and leader of the Labour Party has deliberately evaded the question again.

(Interruptions).

An Leas-Cheann Comhairle: That is not a point of order.

Deputy Mary Lou McDonald: Either she does not-----

An Leas-Cheann Comhairle: That is not a point of order.

Deputy Mary Lou McDonald: Either she had not the wit to put the question to the Taoiseach or she is refusing to share the detail.

An Leas-Cheann Comhairle: That is not a point of order. I call Deputy Wallace. I ask Deputy McDonald to resume her seat.

(Interruptions).

An Leas-Cheann Comhairle: Order, please. Deputy Wallace has the floor.

Deputy Mick Wallace: The Government has boasted of late about the economic recovery. The media have acted as cheerleaders. For whom is the recovery? I attended a public meet-

ing in Wexford on Tuesday. Many of those who attended wondered why the recovery had not touched their lives. There was much more a sense of fear than of recovery.

Deputy Emmet Stagg: They are paying the Deputy's taxes.

Deputy Mick Wallace: The idea that the recovery is for everybody is not true for the majority of the people in this country. There is no doubt that there has been a recovery for some, probably about 20% of the population. People are genuinely afraid that they will not be able to pay for water. The Taoiseach's jobs-for-the-boys debacle has added to their disillusionment, making Fine Gael look as grubby as Fianna Fáil.

Deputy Bernard J. Durkan: "Grubby" is not a word I would use too often.

Deputy Mick Wallace: Fine Gael has achieved an incredible feat by making Fianna Fáil look good through this episode.

An Leas-Cheann Comhairle: On topic, please, Deputy.

Deputy Mick Wallace: No problem. A man who was angry about the McNulty affair telephoned me on Tuesday and told me about an appointment the Taoiseach had made, namely that of his good friend Michael McGarry to Sustainable Energy Ireland. Politics in Ireland has not changed. The people voted for change in 2011 but they did not get it; they got more of the same. Only last July the Tánaiste said this Government would embark on a new cycle of political reform to restore trust in our institutions and public life. That trust is in tatters. Will the Tánaiste do the country a service and pull the plug on the coalition to give the people an opportunity to pass judgment?

The Tánaiste: The Deputy stated that there had been some recovery but it had not been felt by everybody. Yesterday we had the best figures for the live register and people returning to work for more than five and a half years. We still have a long way to go, but unemployment has fallen to its lowest level in five and a half years and now stands at 11.1%. I spoke to people yesterday from the Construction Industry Federation, CIF, on which the Deputy is an acknowledged expert. In Grangegorman a huge number of people are now at work on what had become a derelict site in the centre of Dublin, which is now being transformed by some of the best building work in Europe. I discussed with the representatives of the CIF the issue of apprenticeships - something about which the Deputy has spoken to me on several occasions, when he demonstrated his extensive knowledge of the subject - and trainees getting back to work. That is all positive.

The Labour Parliamentary Party meeting took place in Wexford, during which I took the opportunity to walk around Wexford and open the Intreo office. I do not know whether the Deputy knows that there has been a significant fall in the number of people in Wexford who are unemployed and an increase in the number of people at work. Is it as high as we would like? No, it is not. We have a way to go over the next four or five years to get our country to full employment. We will have a budget in two weeks' time in which, for the first time since we inherited from the former Fianna Fáil Government an economy, a country and a society in meltdown, we will reach the level of deficit that is required. We now have 75,000 more people at work, compared to the 350,000 jobs the country lost in the three years following the bank guarantee. I agree that the country has a long way to go to put everybody who wants to work back to work. Approximately 80,000 people who were employed in construction, as the Deputy knows, are on the live register. My objective is to get as many of them as possible back to

work by building up the construction sector from its current level of 6.5% to double that, which would be the normal level of construction activity in a country such as ours, in order to build homes for families who need them.

The Deputy is correct; these are the important things for people in Ireland. It is also important that the system of governance that we have should be as good as we can make it. In regard to the public sector, which is run by State boards, we need to make sure we have the best people we can, from a variety of backgrounds and circumstances and with a variety of skills, on those boards. That is what the Taoiseach has now agreed and confirmed to me, as leader of the Labour Party, which is a positive step forward for the country. I very much welcome the support of the Taoiseach and both parties in government for that. It will help to rebuild this country.

Deputy Mick Wallace: On the issue of jobs, there are 45,000 people on short-term schemes and 130,000 on part-time schemes. In total, there are more than 500,000 people looking for a full-time job in the State. The figures are being helped, as the Tánaiste well knows, by the huge emigration of young people. What we have seen in the last few years has been a great erosion of public services. There is no denying it. There has been a race to the bottom in terms of social protection. Many of the jobs the Government created are on minimum wage with no contracts. Things are not as they were and Labour has been part of it.

It surprises me that Labour has gone along with so much of the neo-liberal, right-wing philosophy of Fine Gael. Neo-liberalism has been the order of the day. It surprises me that the Tánaiste is okay with that. Ireland must take a different direction. We have put the interests of large financial institutions and big business before those of the citizens. That is the fact. It should not be that way, as the Tánaiste knows. A majority of the people are sick to the back teeth of how things have developed. They are sick to the back teeth of the cronyism that has surfaced in the last couple of weeks. I am surprised that so many are surprised by it, but people are angry at what they are witnessing. The people would like Enda's head on a plate and the Tánaiste can deliver it. There is huge anger on the street. Is the Labour Party okay with that?

The Tánaiste: In relation to the Deputy's comments on social protection, the ESRI produced a report a short time ago by Professor John FitzGerald and others. The professor was widely interviewed in the media and he pointed out that the level of income inequality in Ireland had decreased since the onset of the economic-----

Deputy Finian McGrath: Rubbish.

The Tánaiste: Sorry, but if I gave figures or impressions of my own, the Deputy would not be inclined to believe them. I went to a jobs fair on Monday in Ballsbridge at which large numbers of businesses were recruiting. While we have not got to the stage of employment we want, it is a great deal better than where we were. Professor John FitzGerald and the ESRI, which is an independent research organisation, said as a matter of fact that income inequality in Ireland has decreased since the recession.

Deputy Billy Kelleher: They also said that budgets were regressive for three years.

Deputy Peter Mathews: Rubbish.

The Tánaiste: The ESRI has commended the Government for maintaining core social welfare payments and benefits.

Deputy Finian McGrath: Inequality has increased.

An Leas-Cheann Comhairle: The Tánaiste to reply.

The Tánaiste: We have done that in contrast to other countries which have experienced banking crises and collapses. We have done that as a society. As the country recovers, I hope to see the dividend from progress spreading out in particular to people on middle and low incomes and to retired people and pensioners.

Deputy Peter Mathews: I am surprised the Tánaiste believes that guff.

The Tánaiste: I made that very clear in terms of my objective. In terms of the banking crisis which drove the country to such a state, preceded by a crazy bubble which never made sense, which the Deputies opposite know all about, we have achieved a reduction of €10 billion in the costs of the banking debt and an overall reduction of €40 billion in relation to the debt and contingent liabilities of the country.

Deputy Peter Mathews: The Tánaiste still does not get it.

Deputy Dessie Ellis: The national debt is €200 billion. That is progress.

The Tánaiste: The country has progressed very significantly in terms of its total exposure to banking debt from the situation we inherited.

Deputy Peter Mathews: The Government is happy to let €25 billion fall on the shoulders of Irish people. It is gutless.

An Leas-Cheann Comhairle: Could we hear the answer? I thank the Tánaiste.

The Tánaiste: We now have so many people going back to work.

Order of Business

The Tánaiste: It is proposed to take No. 30*a*, statements on the Sixth Report of the Constitutional Convention on Blasphemy; and No. 30, Public Health (Standardised Packaging of Tobacco) Bill 2014 [*Seanad*] - Second Stage (*resumed*). Tomorrow's fortnightly Friday business shall be No. 53, Garda Síochána (Amendment) Bill 2014; and No. 21, report on the review of commonage lands and framework management plans.

An Leas-Cheann Comhairle: As there are no proposals to put to the House, I call Deputy Robert Troy on the Order of Business.

Deputy Robert Troy: Last week, the Tánaiste dismissed concerns raised by my colleague, Deputy Barry Cowen, when he referred to the problem of the illicit drug trade in Dublin city centre. I understand that tonight "Prime Time" is airing a special programme on the serious consequences the drug trade is having on Dublin city centre. One Temple Bar business owner says the problem is beyond tipping point. When will the criminal justice Bill come before the House and when will the Government bring forward measures to tackle this issue?

In relation to the independent inquiry into the mother and baby homes, the Government promised that in advance of the summer recess the terms of reference would be published. I

accept that it is important that we get the terms of reference right and that the Government must have consultation with the various stakeholders. However, it is now October and we have yet to see publication of the terms of reference. When will the terms of reference be published?

The information and tracing Bill is legislation in which the Tánaiste has a personal interest. She has alluded to that previously. When does the Tánaiste see this important legislation, which was promised by the previous Minister for Children and Youth Affairs, Deputy Frances Fitzgerald, in May 2011 as one of her priority Bills, being introduced? We are still awaiting its publication some three and a half years later. Perhaps the Tánaiste could update the House.

The Tánaiste: Very strong progress is being made in relation to the establishment of the commission of investigation on the mother and baby homes and the development of its terms of reference, which are complex and lengthy. The Attorney General advises that the commission's terms of reference will be a critical factor in determining its ambit, length, complexity, cost and, ultimately, success. I am happy to tell the Deputy that the Department of Children and Youth Affairs has prepared draft terms of reference which it has now circulated to the relevant Departments. The draft will be revised following feedback from relevant Departments and referred to the Attorney General as soon as possible. I understand the Minister is in close contact with various interested groups and parties including as required and as interested the Members of the Opposition.

The work on adoption information and tracing will be carried out in parallel with the work of the commission. I have said that before. It is intended to refer a general scheme and heads of an adoption information and tracing Bill to the Joint Committee on Health and Children for its consideration during the current Dáil session. As the Deputy knows, there is a range of views on this very important area. As I have recorded, I hope to see Ireland having an adoption and tracing system as many other countries have had over a long period of time.

I ask the Deputy to be more specific in relation to his question on a criminal justice Bill as there is a series of criminal justice Bills in preparation. Can the Deputy outline which element of those Bills he refers to?

Deputy Robert Troy: It is the illicit drug trade which the Tánaiste said last week was not a problem.

The Tánaiste: I did not say the drug trade was not a problem at all. What I said was that there were very significant Garda resources-----

Deputy Robert Troy: She dismissed the concerns raised on this side of the House.

The Tánaiste: Would the Deputy like to hear the answer? I said significant Garda resources were being devoted to a new policing model in the centre of Dublin, about which I did not think the Deputy's colleague had previously heard. It is a new community policing model, the model that has been found to be the most effective in deterring young people from drugs, identifying where the drug trade is ongoing and dealing with it with the active support and collaboration of the local community. That is what I pointed out to the Deputy's colleague and I will get further details, if he wishes.

Deputy Mary Lou McDonald: I, too, want to raise the issue of the terms of reference for the commission of inquiry into the mother and baby homes. It is welcome that the Tánaiste has indicated that there are draft terms of reference; that is progress. What are the plans to circulate

them, not just to Departments but also to survivor and advocacy groups, if that is part of the plan? When does the Tánaiste believe the draft terms of reference might find their way to the floor of the Dáil? I am sure she is aware of the level of anxiety about the ongoing delays among the very many affected by this issue. She is aware also that these groups are of one mind that the terms of reference must be institutionally inclusive, thematically comprehensive and that a half-way house will not do. In other words, this job has to be done thoroughly and vigorously and I suggest to the Tánaiste that the way to ensure that will happen is to circulate the terms of reference in draft form not just to other Members of the Oireachtas but, crucially, to these groups also.

I ask the Tánaiste to update us on the consolidated domestic violence legislation for which we have been waiting. What progress has been made on it?

I raise a third issue which I raised with the Taoiseach, but he did not get to answer. It concerns the ongoing abuse of subcontracting regulations in the construction industry, including on Government building projects such as at Kishogue community college in Lucan, County Dublin. Does the Government intend to bring forward legislation to tighten the regulations and prevent tax avoidance and forced welfare fraud?

The Tánaiste: Regarding mothers and children who were in mother and baby homes, it is very important that they receive a full account and that the commission be established in a manner that will yield the information, the history and background they desire in a reasonable time-frame. As the Deputy is aware, the Minister for Children and Youth Affairs has engaged with Opposition party spokespersons and intends to continue the engagement to achieve as much consensus as possible on this very personal, sensitive issue which is of importance to so many families and individuals. The Department of Children and Youth Affairs has received over 120 submissions on the terms of reference, both from individuals and groups. Meetings have taken place with a range of interested groups involving the Minister or his predecessors and officials and further such meetings are planned. The draft terms of reference have been circulated to Departments and I will speak to the Minister. I am sure the relevant committee, or several committees, will also wish to be involved in the process. We might arrange for the Whips to have a discussion because I know that there is interest in this issue among Deputies on all sides of the House and I am anxious to accommodate as many Members as possible in these very important discussions. The Deputy might ask her party Whip to raise it, but I know that the Minister will keep in constant contact with Opposition spokespersons and committees, as required.

Regarding the domestic violence legislation, it is for next year. Regarding subcontractors in work being carried out on Government building projects, as the Deputy is aware, Contractors Administration Services, CAS, was appointed to carry out some inquiries relating to this matter on behalf of the Department of Education and Skills. I understand discussions are ongoing among different parties. Also, there is a proposal to introduce legislation which is on the A list on, for instance, certain features of industrial relations procedures. In respect of my Department, there have also been inquiries relating to sites to ensure those working on them are properly registered for social insurance and taxation purposes.

Deputy Seán Ó Fearghail: In the light of the fact that the Minister of State, Deputy Paul Kehoe, is sitting beside the Tánaiste, I want to return to the issue of legislation promised in the Department of Defence included in the B and C lists. Two Defence (Amendment) Bills are listed at Nos. 36 and 65. I refer to that legislation in the light of the fact that in the past two days reports from the PDFORRA national convention have been making national headlines. Yester-

day we were told that 20% of members of the Defence Forces were in need of family income supplement. We were told also that five soldiers were sleeping in their cars because they had been impoverished as a result of the changes made by the former Minister for Defence, Deputy Alan Shatter. This morning we are told that Defence Forces' members had to borrow uniforms from colleagues to participate-----

An Leas-Cheann Comhairle: The Deputy should refer to legislation dealing with that issue.

Deputy Seán Ó Feargháil: Will the items of legislation mentioned address these major shortcomings?

The Tánaiste made reference to the memorandum from the Minister for Public Expenditure and Reform, Deputy Brendan Howlin, on the appointment of members to State boards. When the Government was established, it set out various procedures and protocols to be followed in the filling of State board vacancies, one of which was that the posts would be advertised. The Minister probably regarded as being closest to the Taoiseach at that time, Mr. Phil Hogan, made 177 appointments to various boards, none of which was advertised. The Tánaiste now refers to a memorandum from the Minister, Deputy Brendan Howlin. How does it differ from the information we were given when the Government was established and will it be established on a legislative basis?

The Tánaiste: On the matters pertaining to the Defence Forces, on the suggestion made in the media that the personnel who had been part of the guard of honour at the funeral of the former Taoiseach, Mr. Albert Reynolds, had had to borrow or swap uniforms, both the Minister and, more importantly, the Chief of Staff and the officer in command have indicated that that was the first they had heard of it. I attended the funeral ceremonies and I was very close to the graveside. I thought the soldiers who took part in the guard of honour and the ceremonies at the graveside were extraordinarily well turned out and behaved. They were present both on the evening before and the morning of the funeral and deserve to be complimented, particularly given the monsoon-style rain. I am a little surprised at people in PDFORRA because I know from my own contacts with family members in the military how proud people are of our soldiers and the work they do in performing ceremonial duties, including guards of honour.

On soldiers sleeping in cars, as the Deputy will know because there is a significant Army presence in his constituency, if for whatever reason members of the Defence Forces are in distress, the normal process in each barracks is to approach senior officers or NCOs. They would find a supportive response. I do not know the circumstances of the cases described. The defence (amendment) Bill will be taken next year. In regard to the memo for Government, the Minister for Public Expenditure and Reform, Deputy Howlin, has asked that within a relatively short period of time each Department will identify the State boards under its remit, which is contained on the website of most Departments, and will set out the skill sets required for each board. The matter will then return to Government for further discussion and there is also the further development of the website in respect of people applying for State board positions. Various State boards are administered by individual Acts that relate to the company. In regard to legislation, some provisions are already laid down. It is for Ministers to describe the skill sets required. That is the first step and each Minister has been asked to do so in conjunction with various boards and the potential appointments within the remit.

Deputy Charlie McConalogue: I ask the Minister for an update on the universities (amend-

ment) Bill, which has been on the B list for nearly three years. Does the Government intend to proceed with it? With regard to the publication yesterday of the Times Higher Education rankings, the fall of Trinity College Dublin from the top 100 and UCD from the top 200-----

An Leas-Cheann Comhairle: The Deputy can raise that by way of a question or a topical issue.

Deputy Charlie McConalogue: Will the Minister take action to stop the slide by not cutting third level education funding?

The Tánaiste: I understand the university (amendment) Bill will be taken in the middle of next year. Perhaps the Deputy can submit a topical issue to receive a detailed response on the various surveys of higher education. In some of them, Ireland scores extremely well but many of them are undergoing constant revision. A topical issue debate, in which people have time to provide the fine detail, would elicit a detailed response.

Deputy Brendan Smith: In 1999, the Irish and British Governments established the Independent Commission for the Location of Victims' Remains. Over the years, the commission has been adequately resourced by the Irish and British Governments. Can the Tánaiste give us an assurance that the important work of the commission will continue through appropriate resourcing for whatever length of time it is needed? When the commission was established, its remit was to assist in the recovery of the bodies of 17 innocent people abducted, murdered and secretly buried, mainly by the provisional IRA. In the meantime, none of us can imagine the sense of loss, the hardship and heartbreak of the families. Yesterday, thankfully, remains were recovered in Oristown, County Meath believed to be those of Mr. Brendan Megraw, a young man abducted in 1978 and murdered. His brother, Mr. Kieran Megraw, spoke in a dignified way about the sense of relief for the family. Of course it is a day of mixed emotions but he pointedly referred to bearing in mind the families of the other six people whose remains have not yet been recovered. It is important we give from the Oireachtas a clear message that if anyone has any information that could be useful in identifying a possible location where the secret burials took place, there is an obligation, morally and in every respect, for someone with relevant information to come forward to the relevant authorities. This will enable the very difficult but important work of the commission to be brought to a successful conclusion. None of us can understand the anguish, hurt and suffering of those families and I have known many of them over the years. It is beholden on all of us to assist in bringing those searches to what we might call a successful conclusion.

The Tánaiste: The Government is committed to continuing to work to ensure the remains of people who seem to have been, for the most part, summarily and brutally executed and buried in lonely sites around the country. It behoves parties whose one-time sister organisations were involved in this to give the maximum support to the moves to recover the remains. Some minutes ago, Deputies in the Chamber from Fianna Fáil and Sinn Féin raised the issue of people in mother and baby homes. In respect of the family of Jean McConville, most of the children ended up in care and in difficult circumstances for most of the rest of their lives. As we make strides in the Republic to address our past, it is important that parties in this Chamber that have influence over the perpetrators, the people who carried out these brutal executions, particularly when we hear the enormous criticisms made at every turn of every procedure in this part of the island, and it would be welcome to have expressions of regret here in respect of what happened.

If it is confirmed to be the remains of Mr. Megraw, I hope it helps the family to have a

proper place of burial for their brother. Both his parents have now passed on but other family members have said that it would bring them some comfort. It is important to say that if anyone out there has influence or knowledge, it would be an act of great mercy and charity to provide information.

Deputy Dessie Ellis: Recently, the Housing (Miscellaneous Provisions) Bill passed through the House. Included in it were plans to bring forward a new tenant purchase scheme. Many people are paying far more through rent to local authorities than they would by purchasing their homes. When will the regulations be enacted and a clear and coherent scheme be put before Members and the local authorities?

The Minister has announced changes to Part V, which involves the 20% social and affordable housing given over to local authorities. Fundamental changes are planned and I ask the Tánaiste if can debate them in the House. The Labour Party, Sinn Féin and all parties fought hard for these measures. Any changes that will lessen the contributions of builders must be debated in the House.

The Tánaiste: This is proposed legislation so, inevitably, it will be debated fully as people require in the relevant committee and during the debate on the Bill in the Dáil. Much of the work has been completed and the proposal of the Minister is to bring it before the Dáil and the relevant committee within a reasonably short period of time.

Deputy Thomas P. Broughan: The maritime area and foreshore (amendment) Bill will be introduced to the Oireachtas this term before major decisions are made about a fleet of wind turbines in Dublin Bay.

1 o'clock

I refer to the Tánaiste's recent comments on the living wage and the proposed figure of €11.45 an hour. She has been encouraging companies to join on a voluntary basis.

An Leas-Cheann Comhairle: Has legislation been promised on this matter?

Deputy Thomas P. Broughan: I will ask that question. Will there be an opportunity in legislation or the budget to be announced in ten days time to offer encouragement to employers to introduce the rate of €11.45?

The Tánaiste: The maritime area and foreshore (amendment) Bill has been drafted and will be taken in the House by the end of this session. The Deputy will be aware that I reached agreement with our partners in government following my election as leader of the Labour Party to have a commission on low pay which is a mechanism that has been used very successfully in other countries. The minimum wage and also the number of hours worked have a significant influence on the income earned. My colleague, the Minister of State, Deputy Gerald Nash, is working on the matter. I anticipate that he will come to the House to explain the proposals in detail. The commission will need to be established. He has visited the United Kingdom to examine how the commission on low pay works there. In countries and cities in which the living wage has been adopted such as London, employers have identified very significant gains. It is a voluntary measure on the part of employers, but those who have signed up to it see significant gains in company reputation, customer satisfaction and loyalty because people like to know that the workers in the companies with which they deal are properly paid. It is noted that where wages and conditions are good, the level of staff turnover is lower and people are loyal to the

company compared to low-wage companies in which it is sometimes the case that the level of staff turnover is constant which results in significant expenditure on recruitment agencies.

Deputy Bernard J. Durkan: I refer to the Government's legislative programme. No. 83 is the insurance Bill which covers that part of the insurance industry which is not covered by the insolvency II directive. Have the heads of the Bill been cleared and when is it likely to come before the House? The purpose of the health (transport support) Bill, No.89 on the list, is to assist those with severe disabilities who are unable to access public transport. When will that Bill be ready? Has it been cleared by the Cabinet and when will it be brought before the House?

The Tánaiste: The insurance Bill will be before the House next year, as will the health (transport support) Bill. The heads of the Bills in question have not been cleared by the Government.

Deputy Martin Heydon: I refer to the education (admission to school) Bill which aims to make admission policies more inclusive and equitable. It will ensure a structured, fair and transparent approach to school admissions and a school place for every child throughout the country. It should also outlaw such practices as waiting lists lasting for years and the charging of fees for remaining on waiting lists which leads to cherry-picking by some schools. This is very important legislation and I hope it will be brought before the House very soon.

The Tánaiste: Work on the Bill is at an advanced stage and it is hoped it will be before the House in this session. The Chief Whip met the drafting staff this morning and progress is positive.

Deputy Joe Carey: What is the position on No. 41, criminal justice (legal aid) Bill to reform the 1962 Act, and No. 57, greyhound industry (amendment) Bill which proposes to reform the 1958 Act.

The Tánaiste: The criminal justice (legal aid) Bill will be before the House in the middle of next year, as is the case with the greyhound industry (amendment) Bill.

Deputy Ray Butler: When is publication expected of the criminal justice (proceeds of crime) Bill which proposes to strengthen the powers of the CAB and allow for the forfeit of the proceeds of crime?

I refer to the article in today's edition of the *Irish Independent* about online gambling. When is publication expected of the gambling control Bill to update and consolidate the law on betting and gambling? Online betting with the use of technology and mobile phones is a serious problem.

The Tánaiste: Consultations are ongoing on the criminal justice (proceeds of crime) Bill and I anticipate publication next year at the earliest. The gambling control Bill will be published next year.

Public Health (Standardised Packaging of Tobacco) Bill 2014 [Seanad]: Second Stage (Resumed)

Question again proposed: "That the Bill be now read a Second Time."

Deputy Pat Breen: I welcome the opportunity to contribute to the debate on the Bill. I note the presence of the Minister for Children and Youth Affairs, Deputy James Reilly. The purpose of the Bill is to control the design and appearance of tobacco products and packaging, meaning that all forms of branding, trademarks, logos, colours and graphics will be removed from tobacco products and that all tobacco products will be presented in a uniform plain neutral colour, except for the mandatory health warnings and other legal requirements.

Ireland is the first country in the European Union to introduce this type of legislation and only the third country worldwide, following Australia and New Zealand. I commend the Minister for introducing this important legislation. This was also the first country in the European Union to introduce a workplace smoking ban. While there were misgivings initially, there is now broad consensus that the ban has benefited public health care. The majority can see these benefits and support the ban which was introduced by the then Minister, Deputy Micheál Martin, for which I commend him.

The Irish Cancer Society claims smoking prevalence in Ireland dropped from 28.86% in March 2004 to 21.71% in December 2012, a decrease in smoking rates of nearly one quarter during these years. This shows that the advertising campaign has had a positive effect. The Irish Heart Foundation concurs with the Irish Cancer Society's analysis and reports that the smoking ban has contributed to a 10% drop in the number of heart attacks in the past decade. There are many risks associated with smoking and the link between smoking and various diseases such as cancer, stroke, heart problems and respiratory diseases is no longer disputed. Approximately 1,700 people die from lung cancer in Ireland each year and over 90% of lung cancers are caused by smoking. Some 1,500 people die annually from COPD, 90% of whom are smokers or former smokers. One quarter of deaths result from coronary heart disease, while 11 % of all stroke deaths are from smoking. The World Health Organization reported in June this year that there was a link between smoking and dementia. Given that smoking is bad for one's health, it is estimated that we are spending €500 million each year in treating smoking-related diseases, money which would be far better spent elsewhere within the health system.

While significant progress has been made, the battle against smoking wages on. There remains a significant number of people in this country who continue to smoke. According to a Eurobarometer survey, the smoking rate in Ireland has remained constant at 29%. This rate is the third highest in Europe. What is really worrying is the number of young people who continue to be attracted to smoking. Barnardos claims that children in Ireland start smoking earlier than their counterparts in any other European country, with 78% of smokers taking up the habit before they reach 18 years of age. That figure is extremely high, and when one starts early it is much more difficult to break the habit.

It is clear that increases in the price of cigarettes in recent years and the various warnings regarding the link between smoking and serious health problems have not convinced young people. We must ask, therefore, what it is that motivates young people to smoke. Do they smoke due to peer pressure, because they are of the view that it is cool or that cigarette packaging is attractive, or as a result of the fact that the large illicit trade here allows them to buy cigarettes more cheaply on the streets than in shops? Many previous speakers referred to the availability of illegal cigarettes as a factor. I recently read a KMPG report in which it is stated that 1 billion counterfeit and contraband cigarettes were smoked in Ireland last year. That is a massive number. I am not a smoker but I understand that a packet of cigarettes costs in the region of €9.40 and that counterfeit packs can be purchased for approximately €4.50. I have seen videos of the way in which the latter are sold in public at markets, etc. What happens is that

young people are sent to buy these illegal cigarettes for others. Basically, they are being used as pawns. There is a big differential between the cost of a counterfeit packet of cigarettes and that of a normal branded packet that one can buy in the shops. It is estimated that the black market is costing the Exchequer approximately €586 million in lost excise duty each year. Again, this is a significant loss of revenue, and I am of the view that the money involved could be well spent within the health care system.

I have spoken to a number of retailers and shop owners in my constituency in Clare who informed me that around 30% of their turnover relates to the sale of cigarettes. These individuals comply with all the regulations that have been introduced in respect of tobacco sales and, as a result, they cannot compete against those involved in the black market trade. The balance must be tilted away from this trade and back in favour of legitimate retailers. I understand the Revenue Commissioners are of the view that the new packaging rules will make counterfeiting more difficult. I presume this is because they believe there will be a specific stamp on packets. It must be remembered that those involved in the illicit trade are always one step ahead of the law. As is the case with those who counterfeit money, they find other ways to operate and can use developments in information technology to further their aims. That said, however, what is proposed in the Bill represents an important step forward in the context of the sale of cigarettes. I am interested in discovering whether the new packaging will include specific security stamps that will be impossible to replicate or change. Perhaps the Minister will clarify the position in this regard when he is replying.

One of the other reasons for the high incidence of smoking among young people is that they are attracted to the packaging. Marketing surveys have proved this to be the case. A survey carried out in the UK in 2011 found that 87% of teenagers and young adults believe plain cigarette packs to be less attractive than branded ones. This is a significant statistic of which we should take note. Research carried out in this country among teens echoes the findings from the UK. When the Irish Cancer Society and the Irish Heart Foundation carried out focus group research among 15- to 16-year-old smokers and non-smokers, it emerged that plain packets containing health warnings were less appealing to them than branded packets also containing such warnings.

As already stated, Australia was the first country to introduce plain packaging. The most recent figures from that jurisdiction indicate that the introduction of this measure has had a significant impact on the number of people smoking. I return to what I said earlier in respect of the number of people who die from smoking-related diseases. If we can reduce the number of people who smoke, it is obvious that there will be a corresponding reduction in the incidence of cancer, stroke and heart disease associated with smoking. Official data from the Australian Government shows that since the introduction of plain packaging there in 2012, there has been an 11% decrease in the prevalence of smoking. This is fastest decline in smoking rates in Australia over the past 20 years. This is proof that plain packaging makes a difference and it highlights the fact that the legislation before the House is extremely important.

Other countries are set to follow the example of Australia. For example, France is considering introducing certain restrictions. Some 13 million adults in France smoke each day and it is estimated that 73,000 people die there every year as a result of smoking. In recent days I read an article in which the French Health Minister stated that her plans in this area are designed to combat smoking among young people in her country by making packaging less attractive. Ireland is leading the way in Europe and France is following. I am of the view that other countries will also follow our example.

2 October 2014

The legislation before the House is both good and important and is designed - in the interests of the people and of society as a whole - to ensure that fewer people smoke. I hope other countries will follow the lead Ireland is giving in respect of this matter.

Deputy Seán Ó Fearghail: I was not going to take part in this debate but, having listened to previous contributions, I decided to change my decision in that regard. I am conscious of what was stated in this House and at meetings of the old Eastern Health Board - on which the Minister and I both soldiered - by our colleague, former Deputy Charlie O'Connor, to the effect that our political views and positions are influenced by our life experience. My life experience has been heavily influenced by cigarette smoking. When I was a child, my uncle died - slowly and agonisingly - at 48 from lung cancer he contracted as a result of taking up smoking at the age of 12. When I was a teenager, another of my uncles died at 42 - again, slowly and agonisingly - as a result of the same condition. A third uncle did somewhat better and survived into his 70s. However, he also died as a result of lung cancer he contracted from smoking. My mother died at 72, having been healthy all her life but having also smoked all her life. She died as a result of secondary brain tumours which were caused by tumours on her lungs that were created by cancer. It is ironic that the only one of the five children in my mother's family who did not smoke is now 95 years of age. My aunt has lived to see all her younger siblings die. I assure the Minister that I am no friend of the tobacco industry and I know the havoc its products can wreak.

In paying tribute to the former Minister for Health and Children, Deputy Martin, in respect of the workplace ban on smoking that he introduced, Members are recognising the benefits that have accrued since its introduction. It took courage on the Deputy's part to sponsor the relevant legislation at the time. I must admit that I was somewhat sceptical about the ban when it was introduced, and one of my concerns related to the fact that I did not want Ireland to become a nanny state. What Deputy Martin sought to do with the ban was to some extent seen in that context initially. I strongly commend the Minister for Children and Youth Affairs, Deputy Reilly, on the legislation he has initiated to deal with smoking in motor vehicles. That legislation must be enacted as soon as possible, particularly as it will deliver real and meaningful health benefits.

Perhaps I am alone but I have some reservations about this. Many Members have alluded to the major problem in this State with counterfeiting and smuggling. I may be more aware of it than others because I live in a county with two long-established street markets where access to cigarettes and counterfeit products at low cost is readily available. Despite the best efforts of An Garda Síochána and Customs and Excise personnel the problem has got worse rather than better. I fear the Minister's well-intended legislation may have the consequence of making the business of smuggling and counterfeiting far easier which, for me, is a particular problem. I imagine when the Minister is summing up he will address the matter, but certainly there is a fear among some people that the intended consequences of the legislation may not be realised and that, in fact, it could be counter-productive, and I am keen to express my concerns and reservations about that.

Deputy Michael Creed talked about the need for the Government to be careful because there could be litigation emanating from the tobacco industry. It is high time that the State considered litigation against the tobacco industry bearing in mind the damage that has been done and that continues to be done by that sector.

I will refer to an allied issue not covered in this legislation but important none the less, especially in the run-up to the budget, that is, the question of excessive alcohol intake, derived in

large measure now from the reduced-cost selling that we see predominantly from the multiples throughout the country.

I am a person who likes to go to my local pub for an occasional pint. Like others I go along and have one or two, or I might go a little mad and have three. Anyway, we hear harrowing stories of families who load up their trolleys in supermarkets and bring home innumerable bottles of wine or slabs of beer, all bought at reduced cost. The impact of this excessive intake of alcohol on families is considerable. Recently, I met a youth group in my constituency. One interesting feature about this youth group was that the young people were having to act as carers to the adults. They had to get their mother or father up in the morning and they had to get their brothers or sisters - their siblings - up and out to school, or they had to go and fetch them from some location in town where they had been hanging out while consuming the slabs that had been bought at reduced prices.

I believe our publicans have, for the most part, been altogether responsible in how they have run their establishments. The social aspect of the local pub is a positive aspect of Irish life. It is a feature tourists come here to enjoy and engage in and I believe it is beneficial. However, this uncontrolled drinking, deriving, inevitably, from below-cost selling, needs to be targeted. I know the Minister has a passionate interest in this matter and, therefore, I call on him to raise with the Minister for Finance, as a matter of urgency, the need to do something about it. The licensing fees paid by the multiples and off-licences are a pittance having regard to the amount of alcohol they sell and the devastation that this alcohol can cause. Obviously, they are putting their far more responsible brethren in the bar trade at a major competitive disadvantage.

I wish the Minister well in his battle against the tobacco industry. I make no apology for expressing a reservation about this particular initiative and I call on the Minister to challenge the Minister for Finance to do something about the below-cost selling of alcoholic products.

Acting Chairman (Deputy Robert Troy): Deputy Ó Feargháil did not use all his time. With the agreement of the House, Deputy Mathews would like to make a brief contribution.

Deputy James Reilly: He spoke on the Bill already back in July.

Acting Chairman (Deputy Robert Troy): Deputy Mathews, did you speak on this Bill already?

Deputy Peter Mathews: I spoke at some stage.

Acting Chairman (Deputy Robert Troy): Sorry Deputy, I was not aware of that. You cannot speak a second time.

Deputy Peter Mathews: Are we still on the same stage?

Deputy James Reilly: Yes.

Deputy Peter Mathews: We commenced this stage a long time ago. Is that the case?

Deputy James Reilly: Yes, it was before the summer break.

Acting Chairman (Deputy Robert Troy): Sorry, Deputy, I was not aware of that.

Deputy Peter Mathews: I thank the Minister for bringing forward this legislation.

Acting Chairman (Deputy Robert Troy): You have got a compliment from Deputy Mathews, Minister.

Deputy Peter Mathews: Good legislation always gets support.

Deputy David Stanton: I welcome this legislation. Any initiative we can bring forward to reduce the use of tobacco and the smoking of cigarettes is to be welcomed; there is no doubt about that. This is a big, powerful and very profitable industry. It is also an industry that has, as some colleagues have already noted, a considerable and growing area of illegality. Counterfeit and contraband cigarettes are being sold. In 2013 a total of 4,453 kg of loose tobacco was confiscated. God knows how much gets through. This raises alarm bells as to the possibility or probability that vast numbers of counterfeit cigarettes are being manufactured here. The Joint Committee on Justice, Defence and Equality, which I chair, has had several presentations on this issue.

Often we castigate the retailers, the legal and legitimate business people in shops who comply with the law, gather the revenue, do not advertise the cigarettes and sell them from behind closed doors, as it were. They are competing with the illegal trade in a big way. They tell us that people are openly selling smuggled or counterfeit cigarettes in markets and fairs throughout the country. None of us wants to see cigarettes being sold. If possible I would prefer to ban them completely but we know prohibition does not work. At the same time, we need to do far more to combat the illegal trade in cigarettes. Several suggestions have been brought forward. One is that we increase the penalties for selling and have minimum mandatory fines and penalties for selling illegal and contraband cigarettes. Under the 2009 Act the maximum fine was increased to €126,000. However, the average fine for selling illegal cigarettes in 2011 was only €1,200. In Switzerland barcodes have been embedded on legal cigarette packaging in order that the police - in our case it would be the Garda - can, using a smartphone app, see straight away whether a package is legitimate. If it does not have a bar code, which can be detected easily, the pack can be confiscated.

There is a concern that the plain packaging might make easier for counterfeiters to copy it because they will have only one version to produce. If that is the case, we must be careful because if we do not clamp down on the illicit trade in a big way, we could end up facilitating more criminality, which is a major issue. Significant criminal gangs that were previously engaged in other activities have moved into this area and there are various estimates as to how much they are earning per annum from this illegal trade, but there is general agreement that it runs into hundreds of millions of euro. The other side of the coin is that people do not know what they are buying. Anything could be found in these cigarettes, and, for example, they might not even have filters. I have read reports of rat poison and other materials being found in illegal cigarettes.

We therefore need to increase awareness and improve education around the dangers of smoking. If one goes by any secondary school in the country, there will be youngsters outside smoking. Tobacco packaging was designed to be attractive to girls, in particular, and to fit into their purses. The packages are colourful and, as the Minister said, resemble perfume boxes. It is appalling that slimline cigarettes were designed for girls and packaged in colourful boxes to fit in their purses in order that they would feel and look cool. That is the mentality behind selling this dangerous product. The legislation may lead to a reduction in the legal sale of cigarettes, but I challenge the Minister to take on the counterfeit trade because that is increasing. Studies have highlighted that the more the price of a packet and excise duty are increased, the

more people embrace the illegal trade, which is a problem. It is difficult to measure how much is sold on the black market, but the penalties can be increased.

More X-ray scanners are needed at our ports to capture and track the illegal importation of cigarettes. They are getting in, even though shipments have been confiscated, because it is an extremely lucrative trade. It is estimated that there were 770 million illicit cigarettes in the State in 2011, which is an enormous number. We can read the statistics for the legal trade but we do not know accurately what is happening in the context of the illicit trade in tobacco.

I welcome the smoking ban in public places such as public houses and restaurants, which was a fantastic move. However, a student said to me recently that what is happening now is that people are moving outside to the smoking areas and they have become great social areas to meet and interact. I wonder whether the problem has moved outside from inside. Perhaps we need to examine this again.

Will the Minister comment on the legal action by the World Trade Organization involving Australia, which was the first country to ban non-plain packaging? If Australia loses this legal action, it may have to compensate the manufacturers in countries that have taken the action. Is it the Minister's intention to proceed with the legislation before this legal action is finalised? Would it be better to await the outcome rather than ploughing ahead? Do the implications of this decision need to be considered?

Members have quoted different reports. There is a report in today's edition of *The Daily Telegraph* which states that tobacco sales have increased in Australia despite plain packaging. I do not know whether that is true, but the report was commissioned by the tobacco industry and, therefore, it comes with a major health warning. However, at the same time, we need to consider the report to establish the accurate position. A KPMG study indicated that illicit tobacco sales had increased from 11.8% to 13.3% in Australia up to June 2013. There are issues in this regard about which we must be careful.

Retailers Against Smuggling has proposed that the sale of cigarettes at fairs and markets be banned. Perhaps this should be considered.

The Minister has youth clubs and groups under his remit. As a former teacher I know that when one is in the classroom and has a captive audience and one tells teenagers what to do, very often that does not work. Will he consider using youth organisations and youth workers? Youth workers can have engagement and a relationship with young people and teenagers, in particular, which is more powerful and personal in some instances than the interactions they have in schools and classrooms. Because the relationship is informal, laid-back and friendly, health promotion messages, particularly anti-smoking messages, can be delivered in a more powerful way. Hopefully, in the upcoming budget, there will be an increase in funding for the youth sector and youth organisations such as Youth Work Ireland and Foróige, because they could do significant work in combatting tobacco use among young people. Tobacco companies target young people and try to make it look cool for young people to smoke. Will the Minister encourage and support the youth organisations to combat the scourge of tobacco smoking? They are in a powerful position to do that.

I recently met a retailer whose understanding of what was coming down the tracks was that all cigarette packs would look the same except for a small logo that would signify the brand. He said it would be difficult to pick out a particular brand when a customer came into the shop and

this would cause many problems for his staff. It is minor issue but he was serious about it. I said I would raise it in the House, for what it was worth, because he is a legal retailer who obeys the law. This is an important issue for him because he says it will increase his staff costs and it will take up more time. It is a practical issue for someone on the ground and we should listen to what he has to say because he is obeying the law. We should clamp down more on illegal traders and support those who are trading legally and who collect revenue for the State. When he raised it with me I wondered whether he was having me on, but it is a serious issue for him and we must take everything into account.

It will be interesting to see how the legislation progresses and the impact it has. We need to monitor it as much as possible, but I wish the legislation well.

Deputy Sandra McLellan: Sinn Féin supports this Bill as one more important step towards combatting the harmful and devastating effects of tobacco smoking. It brings into focus once again the damage tobacco smoking does to public health and allows us to highlight the physical and emotional pain caused by the tobacco industry.

The ongoing campaign to eradicate tobacco smoking in this State is to be highly commended. The work done by successive Governments in tackling the issue has been world-leading and innovative. The smoking ban introduced in 2004 was the first of its kind in the world. It is great that the State has played such a pivotal role in the battle against the corporate giants of tobacco. The fight for a tobacco-free society, not only by Governments but also by organisations such as the Irish Cancer Society, the Irish Heart Foundation, ASH Ireland and many others, is an uphill one. With the right legislative changes, societal education and combined strategies, this objective is, however, achievable, and we must work together every step of the way to ensure it is realised.

While much work has already been done to reduce the number of people who smoke, it is worth noting that slightly less than 25% of the population uses tobacco. Every year, more than 7,000 deaths across the island are related to tobacco smoking, whether they are as a result of lung cancer, heart disease, stroke or emphysema. This is a shocking statistic. The introduction of standardised packaging is important. By eliminating the ability of tobacco companies to market their dangerous product in any capacity and placing an emphasis on health warnings and imagery, we will, I hope, see a reduction in the figures I have cited.

While the impact of these measures may not be ground-breaking, every single person who quits or chooses not to smoke as a result of these and other measures is a success story. The tobacco industry is of no benefit to society and costs the health service €1 billion per annum, families their loved ones and children their parents. It also has a profoundly higher cost in disadvantaged communities than in communities with a higher socioeconomic status. Put simply, it costs too much for too many people. The tobacco industry profits from death, illness and addiction and we owe it nothing. It is estimated that if smoking continues to expand globally at its current rate, it will be the single largest cause of death worldwide before the middle of this century. This is because the tobacco industry's biggest area of expansion is in developing countries, which do not yet have measures in place to prevent the spread of tobacco smoking. The industry is engaged in pure, unadulterated exploitation of those who are most in need.

In Ireland, children start smoking at a younger age - 16.4 years - than in any other European country. Some 78% of smokers started to smoke before the age of 18 years. The Health Behaviour in School Children, HBSC, survey for 2010 showed that 27% of children reported

ever having smoked tobacco. This figure constituted a 9% decrease compared to the figure for 2006. While we are moving in the right direction, it is worrying that 12% of children reported being current smokers.

The HBSC study also found that children from higher social class groups are less likely to smoke. Once again, disadvantaged children are affected more severely than their better-off counterparts. As legislators, we have a responsibility to curb this disproportionate impact and do everything within our power to prevent it.

Figures provided to the Irish Cancer Society regarding Australia's plain packaging initiative introduced in December 2012 show a decline in the number of tobacco smokers. The national drug household survey in Australia showed that daily smoking rates fell from 15.1% in 2010 to 12.8% in 2013. While I acknowledge that the precise reasons for this decline remain unclear, and it is not certain that it correlates directly with the recent change in packaging law, it is none the less positive and timely, and we can hope for similar results here.

My party colleague and Member of the European Parliament for the Six Counties, Martina Anderson, has done stellar work as shadow rapporteur in putting the tobacco products directive through the legislative process in Europe. Sinn Féin, as an all-island party, would like to see an all-Ireland approach to tackling the tobacco industry and the effects of tobacco on society. I hope this legislation will contribute greatly to eradicating the temptation for young people to take up this deadly habit.

The removal of branding and its substitution with images showing the health implications of smoking is a welcome move. The cigarette packet is the last marketing tool available to tobacco companies in this State. We must not succumb to pressure from tobacco lobbyists. Tobacco is the only product which, if used as advertised, will kill 50% of users. Any other product that resulted in such a death rate would be banned without hesitation. In this case, however, a prohibitionist approach would not work, whereas a continued combined cross-party and all-Ireland approach will work. Sinn Féin will support the Bill's passage through the House.

Minister for Children and Youth Affairs (Deputy James Reilly): I thank all Deputies who contributed to the Second Stage debate on the Bill. I am reminded that on issues such as this, on which one has said many things many times, one believes everyone has heard them. However, one cannot make one's point often enough. I am delighted, therefore, that all the Deputies who spoke reiterated the shocking and terrible statistics associated with the use of tobacco. Every year, 5,000 people in this country die as a direct result of using tobacco. As Deputy McLellan noted, it is astonishing that tobacco is the only legal product which, when used as advised by the manufacturer, will kill every second user.

While Deputies have raised issues with regard to the Bill, I am pleased that the overwhelming majority of them support this initiative. The objective of this measure and many other tobacco control measures is to dissuade people from starting to smoke, primarily children. As speaker after speaker pointed out, 78%, or almost four in five smokers start smoking when they are children. Our objective is also to encourage current smokers to quit smoking and, ultimately, to save lives.

During the debate, speakers referred to the issue of the notification of this Bill to the European Union. I wish to clear up any misunderstanding regarding this matter. Directive 98/34/EC, commonly known as the technical standards directive, imposes an obligation to inform

the Commission and other member states of technical regulations in draft format. This Bill falls into the categories for notification set out in that directive, as did the recent legislation on sunbeds. Ireland notified the Bill to the EU on 17 June, thereby fulfilling our obligations under European law. The Commission and member states had until 18 September to comment or provide detailed opinions on the proposed measures. As detailed opinions have been received, the standstill period has increased by a further three months - that is, until 18 December 2014. For this reason, the legislative process cannot continue past Second Stage until after this standstill period has elapsed. We welcome the recent decision of the French Government to introduce standardised packaging.

I propose to refer to the inclusion of cigars and pipe tobacco in the Bill. As Deputy Ó Caoiláin stated in July, the United Kingdom, in its draft standardised packaging regulations, did not include cigars and pipe tobacco. If the UK decides to proceed with its initiative, the resulting regulations will be made under its Children and Families Act 2014. The consultation document released by the UK refers to the low prevalence rate among young people of smoking cigars and pipe tobacco. The provisions of the Bill before us are not confined to any specific age group. While the core aim is to prevent young people from starting to smoke, we also want to assist current smokers to stop smoking. All tobacco products have been shown to negatively affect health. As such, all tobacco products should be treated equally under the Bill.

Evidence shows that standardised packaging encourages existing smokers to quit and those who have given up to remain as non-smokers. With this in mind, the Bill covers all tobacco products, as does the Australian legislation.

I would like to respond to those Deputies who stated they remain unconvinced this measure alone would stop people smoking. Standardised packaging is but the latest strand to a comprehensive range of tobacco control legislation already in place in Ireland, which aims to denormalise the practice of smoking.

It is the combination of past, present and future tobacco control measures that will reduce tobacco consumption in Ireland, and not one measure in isolation. All the measures outlined in our tobacco policy, entitled "Tobacco Free Ireland", will have a role in reducing the prevalence of smoking in Ireland. However, standardised packaging is important as it is the next step in tackling tobacco advertising and promotion specifically.

Ireland is adopting an approach recommended by the World Health Organisation. Guidelines devised under the Framework Convention on Tobacco Control ask countries to consider introducing standardised packaging for tobacco. Standardised packaging is not, therefore, a new concept. As we know, Australia has already acted upon this WHO recommendation. Some 22 months on from the introduction of standardised packaging in Australia, the latest figures show that the total consumption of tobacco products there was the lowest ever recorded. That is why the tobacco industry is so exercised about this initiative.

As regards the illicit trade of tobacco, the tobacco industry's estimates of the size of that market are not considered to be accurate. Recent industry reports identify an Australian illicit trade market of 13.3%, whereas government data indicates that 1.5% of smokers use illicit trade tobacco. Who do we trust more? Who has the wellbeing of its citizens at heart? The tobacco industry or the Australian Government? I congratulate the Australian Government for making this brave move and taking on the industry through the courts in that jurisdiction. In addition, it has continued to fight at the World Trade Organisation where the jury is still out and there has

been no final ruling.

There is a wealth of evidence indicating that standardised packaging will have a positive impact. No matter what evidence we produce, however, the tobacco industry will produce evidence to contradict it. This is a well-known and well-documented tactic of the tobacco industry.

The Irish Cancer Society undertook a trial involving younger children who thought the current cigarette packets were “nice”, “lovely” and “made you want to hold them”. When the same children were presented with plain packets from Australia, including graphic pictures of the damage smoking does, they said: “Ugh. Who’d ever want to smoke?” Children are not stupid and if facts are presented to them they know how to react. I am confident too that the Irish public, including our TDs and Senators, will act in the public good.

Arguments put out by the tobacco industry regarding increased illicit trade and supposed job losses from the retail sector should not deflect us from doing what is right. I said this on the floor of the European Parliament when the EU directive was being put through under our EU Presidency. It should never be a case of choosing between jobs and lives, and we are talking about lives. Some 700,000 Europeans die every single year from tobacco use. It is an astonishing figure.

Another well-known tactic of the tobacco industry is the threat of legal challenges. While a legal challenge by the industry cannot be ruled out, I am confident that the research available to us demonstrates that standardised packaging will have a positive impact on health and is a proportionate and justified measure. The threat of legal challenges should not be an obstacle to progressing public health policies. We must press on with our mission to make Ireland tobacco free by 2025. Let us be clear what we mean by “tobacco free”. We mean a smoking prevalence less than 5%.

We should be heartened, encouraged and proud of the support expressed by Dr. Margaret Chan, director general of the WHO, on her visit to Dublin in June. She made it clear that while Ireland may face the wrath of the tobacco industry, the WHO wholeheartedly supports Ireland in our endeavours concerning standardised packaging.

I now wish to cover one or two issues in some more detail. The extent of the illicit cigarette market in Ireland is estimated through annual surveys of smokers. These surveys are undertaken for Revenue and the national tobacco control office of the HSE by IPSOS MRBI. The survey for 2012 found that 13% of cigarettes consumed in Ireland are illicit. Of the 13% classified as illegal packs, 11% were classified as contraband, almost 2% as “illicit whites”, and less than 1% were counterfeit. What does this mean and what are the implications? The counterfeit trade in this country is tiny at less than 1%. The rest of it is illegal contraband which is produced by the tobacco industry. Is the industry bothered that the tobacco products are sold this way or that when they are producing them? I am sure that Deputies will be able to come to a conclusion themselves on that question.

The comparable figure for 2011 was 14%. This would suggest that the extent of the problem is being contained as a result of the extensive action being taken against the smuggling and the sale of illicit products.

I commend Deputy Micheál Martin, the current leader of the Opposition, for bringing in the smoking ban when he was Minister for Health. The ban was introduced in the workplace not in the pub, as Deputy Ó Feargháil alluded to. The logic behind it was to protect workers from

environmental tobacco smoke.

Estimating the scale of any illegal activity and the resultant tax loss is difficult. The IPSOS MRBI survey is the best indicator of the extent of the market in illicit cigarettes. It was not about telling people they could not smoke - it was protecting the workers who had to work in such confined spaces. As a result, if people wanted to smoke they had to do so outside. As a consequence, many people have stopped smoking while others smoke a lot less.

The KPMG report, which was commissioned by the tobacco industry, is not validated. As I have said, it is contradicted very much by Government data.

Deputy Stanton mentioned the issue of talking to young people and I agree with him 100%. In the past, the Department ran an advertisement on mental health that everybody agreed was good at highlighting the issue for younger people. The Department took the precaution of talking to youth groups, however, and they came up with a very different advert that proved to be much more effective. Nobody understands younger people better than themselves and those who work most closely with them.

I would like to say that I am way ahead of Deputy Stanton. Last week I was in the west and visited Ballinasloe and Loughrea where I met a group of young people working in a youth club there. They are very involved in their community. On the wall they proudly displayed a poster advising young people not to smoke cigarettes. They won a prize for that poster and certainly hit the mark with it. They told me they had a very confined space and needed new premises, so we will do everything we can to help them in that regard. One of the young ladies said: "It's a bit squishy in here". I told her that word could yet enter the lexicon of Dáil Éireann and I am now delivering on my promise.

The work done by volunteers in the youth sector is astonishing. Some 40,000 people are involved and that is not counting all the sporting organisations. Without them we could not deliver for our children in the way we do. We must do more to support them, however, and we are certainly trying to do so. I wish to thank those volunteers for their work, as well as the young people themselves for the energy and vibrancy they bring to the sector. It makes being Minister for Children and Youth Affairs a pleasant experience.

Deputy Michael Creed and others spoke about alcohol in the context of public health measures, although it is not the subject of this Bill. It is the remit of the Minister for Health, Deputy Leo Varadkar, but obviously I am also very concerned about it as Minister for Children and Youth Affairs. Underage drinking and below-cost selling must be addressed. The Government has a good alcohol policy in this regard, on which it is making progress.

2 o'clock

Deputy Pat Breen stated that approximately 30% of the turnover of small retailers was derived from cigarettes. He stated that the new packets would make counterfeiting more difficult, not less difficult, because they will have a security mark that is very difficult to emulate.

Let me respond to Deputy Seán Ó Fearghail on his personal experience of tobacco. There is no doubt that the product wreaks terrible havoc and visits horror and hardship on families and individuals. I noted the Deputy's concern about markets. That is a matter for enforcement. There is good enforcement, but we must be ever-vigilant.

I thank all Members for their support. We need not believe that this legislation, which I clearly believe will be passed in this Chamber based on what Members have said, is the end of the matter. There is an ongoing battle to be fought to ensure the well-being and safety of our children and give them the quality of life and health to which they are entitled. Far from being a nanny state policy, this legislation is about protecting vulnerable children who are influenced by the last billboard that the industry has, the package. In this regard, Deputy Stanton alluded to the very deliberate targeting of young girls with small packets that look like perfume boxes. We will not be banning slim cigarettes, but we will be banning the slim boxes.

In 1998, 33% of Irish people smoked. Today, that figure is 21.5%. I thank all who have been involved in the fight to safeguard the health of our people and to help us protect future generations from smoking. We know this measure will help to protect our children and prevent them from ever starting to smoke. As Minister for Children and Youth Affairs, I must put their needs and health ahead of any industry considerations. We know the measure will enhance their lives and add many years of life to their bright and better futures. I commend the Bill to the House.

Question put and agreed to.

Public Health (Standardised Packaging of Tobacco) Bill 2014 [Seanad]: Referral to Select Committee

Minister for Children and Youth Affairs (Deputy James Reilly): I move:

That the Bill be referred to the Select Sub-Committee on Health pursuant to Standing Orders 82A(3)(a) and (6)(a) and 126(1) of the Standing Orders relative to Public Business.

Question put and agreed to.

Business of Dáil

Minister for Children and Youth Affairs (Deputy James Reilly): On behalf of the Government, I have been asked to inform the House that three Topical Issue matters have been deferred until next week. The first, on education, was tabled by Deputies Creighton and Mathews, who I understand have agreed to resubmit it next Tuesday, when the Minister from the relevant Department will be available to deal with it. The second and third Topical Issue matters concern health and are also to be deferred. The second is in the name of Deputies Kieran O'Donnell and Pat Breen, and the third is in the name of Deputy Robert Troy. I understand the Deputies have agreed to resubmit their matters next Wednesday, when the Minister will be available.

An Leas-Cheann Comhairle: Is that agreed? Agreed. Does the Minister have any information on the fourth Topical Issue matter?

Deputy James Reilly: No.

An Leas-Cheann Comhairle: I understand the transport issue raised by Deputy Dessie Ellis is to be deferred until next Tuesday. I presume that is in order, because the Deputy is not present. Is that agreed? Agreed.

The Dáil adjourned at 2.05 p.m. until 10 a.m. on Friday, 3 October 2014.