



DÍOSPÓIREACHTAÍ PARLAIMINTE  
PARLIAMENTARY DEBATES

**DÁIL ÉIREANN**

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

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# DÁIL ÉIREANN

*Dé Máirt, 14 Deireadh Fómhair 2014*

*Tuesday, 14 October 2014*

Chuaigh an Ceann Comhairle i gceannas ar 2.20 p.m.

***Paidir.***

***Prayer.***

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## **Return to Writs: Roscommon-South Leitrim and Dublin South-West**

### **Introduction of New Members**

The Clerk Assistant of the Dáil made the following announcements:

I gcomhlíonadh Bhuan-Ordú céad is seachtó cúig de na Buan-Orduithe i dtaobh Gnó Phoiblí, tá orm a chraoladh go ndearnadh, sa Chorrthoghchán a bhí ann an deichiú lá de Dheireadh Fómhair, dhá mhíle is a ceathair déag, de chionn an Teachta Lúcas ‘Ming’ Ó Flannagáin a thoghadh chun Parlaimint na hEorpa, an Comhalta seo a leanas a thoghadh don Dáil:-

In compliance with Standing Order 175 of the Standing Orders relative to Public Business, I have to announce that at the By-Election held on 10th October, 2014, consequent on the election of Deputy Luke ‘Ming’ Flanagan to the European Parliament, the following Member has been elected to the Dáil:-

Dáilcheantar Ros Comáin-Liatroma Theas . . . . . Micheál Mac Giolla Mhuiris

Constituency of Roscommon-South Leitrim . . . . . Michael Fitzmaurice

Tá Rolla na gComhaltaí sínithe ag an Teachta de réir Bhuan-Ordú 1.

The Deputy has signed the Roll of Members in accordance with Standing Order 1.

I gcomhlíonadh Bhuan-Ordú céad is seachtó cúig de na Buan-Orduithe i dtaobh Gnó Phoiblí, tá orm a chraoladh go ndearnadh, sa Chorrthoghchán a bhí ann an deichiú lá de Dheireadh Fómhair, dhá mhíle is a ceathair déag, de chionn an Teachta Brian Ó hAodha a thoghadh chun Parlaimint na hEorpa, an Comhalta seo a leanas a thoghadh don Dáil:-

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In compliance with Standing Order 175 of the Standing Orders relative to Public Business, I have to announce that at the By-Election held on 10th October, 2014, consequent on the election of Deputy Brian Hayes to the European Parliament, the following Member has been elected to the Dáil:-

Dáilcheantar Bhaile Átha Cliath Thiar-Theas . . . . . Pól Ó Murchú

Constituency of Dublin South-West . . . . . Paul Murphy

Tá Rolla na gComhaltáí sínithe ag an Teachta de réir Bhuan-Ordú 1.

The Deputy has signed the Roll of Members in accordance with Standing Order 1.

**An Ceann Comhairle:** Because of the time constraints, unfortunately, we do not have much of an opportunity at this point to welcome both Deputies from the different sides of the House. However, there will be other opportunities at a later date. I know I speak on everybody's behalf when we recognise it is a very special day for both Deputies to be elected to this House. I wish them both every success and happiness while they are here, and I hope they make a major contribution to the workings of the House and its committees.

## **Financial Resolutions 2015**

### **Budget Statement 2015**

**Minister for Finance (Deputy Michael Noonan):** When the Government took office in March 2011, we set out a plan to regain control of Ireland's fiscal and economic policies, to grow the economy and to get people back to work. Many people both inside and outside this House believed that we, as a Government, would fail and opposed each and every step we took along the way. The Government did not fail. We exited the bailout. The public finances are under control. The Irish economy is growing at the fastest rate among developed economies. The rate of jobs creation in Ireland is one of the fastest in Europe. We are ahead of our planned fiscal targets and we have managed to achieve this progress with less tax increases and fewer expenditure cuts than envisaged in 2011. We have succeeded in key negotiations over our EU and IMF loans and on the promissory notes.

The road we have travelled to get to this point has been very difficult and the Irish people have made major sacrifices, but the policies pursued by this Government have worked and the recovery in the Irish economy is well under way. The recovery has not spread across the country yet and many families have yet to experience it. The Government is fully aware of this fact. For many people, the recovery will only come when they get a job. For some, the recovery will only come when they see more money in their pockets. For many families, the permanent return of a loved one who has emigrated will mark the end of the crisis and the start of the recovery.

Budget 2015 is about securing the recovery, building for the future and broadening it to families across the country. This Government will not be returning to the boom and bust model of the past that has spectacularly and repeatedly failed the Irish people.

**Deputies:** Hear, hear.

**Deputy Michael Noonan:** We must secure a new economy for a new Ireland. Of course, we must continue to deal with the legacy issues of the economic crisis, and we will do so, but today is about looking forward. It is about building for the future upon this solid foundation that has been so painstakingly laid. *Macro-economic, fiscal and financial framework*

As a result of the policies pursued by the Government and the sacrifices of the people, the macro-economic and fiscal framework underpinning this year's budget is far more favourable than in previous years. The recovery is gaining momentum. While exports are continuing to grow, the recovery is broadening, with domestic sources of growth, consumer spending and investment contributing positively for the first time since 2007. We have now had seven consecutive quarters of solid annual employment expansion and seen an increase in employment of over 70,000 people at work since the low point in early 2012. Unemployment, while still too high at 11.1%, is at its lowest level in five and a half years and has now fallen for 27 months in a row. My Department is forecasting a continuation of this trend and expects unemployment to fall to an average of just above 10% next year. It is clear that the measures introduced to support job creation in key sectors of the economy are working. My Department estimates that there will be around 1,920,000 people in work by the end of the year - this is over 80,000 higher than at the low point two and a half years ago. By the end of 2015, it is anticipated that the increase from the low point will be around 128,000 and we expect to have two million people at work in 2016.

The evidence of the growing economy can be seen in the public finances. Throughout the course of 2014, taxes have grown steadily and my Department is projecting an outturn of over €41 billion - €1 billion ahead of profile. Thanks to this strong revenue growth, effective expenditure management and the impact of European statistical changes, the forecast deficit for 2014 is 3.7% of GDP. This is well inside our excessive deficit procedure target of 5.1% and the 4.8% target on which we built the budget for 2014.

My Department is forecasting GDP growth of 4.7% this year. On a no policy change basis, it is forecasting real GDP growth in 2015 of 3.6%. These forecasts are prudent and were endorsed by the Irish Fiscal Advisory Council. However, as a result of the package of measures I am introducing today, the GDP growth forecast in 2015 has been revised upwards to 3.9%. In 2016 the growth rate will be 3.4%. In 2017 the growth rate will be 3.4%. In 2018 the growth rate will be 3.4%. This is the type of solid and steady economic growth that we want in the coming years.

The Government's strategy to reduce the burden of our debt by improving the terms of our EU-IMF loans and the promissory note, minimising future borrowing requirements by reducing the deficit and growing the economy is working. The forecast debt-to-GDP ratio for end 2014 is under 111%. When account is taken of cash balances and other financial assets, the 2014 net debt forecast is just below 91%. Furthermore, a debt reducing primary surplus of 0.3% of GDP will be achieved this year. However, as our debt is still high by comparison to many of our fellow EU members, we need to continue this approach. Not only will this make the debt more sustainable, it will also minimise the cost to the taxpayer of interest paid on the national debt.

That is the backdrop to today's budget. Prudent and responsible budgeting has got us to this point. Prudent and responsible budgeting will be how we will continue. Each year the Government has set ambitious deficit reduction targets, often inside those required under the Stability

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and Growth Pact, and each year we have beaten these targets. This approach has been a key factor in restoring market access and successfully exiting the EU-IMF programme last year. Investor confidence in Ireland has returned and our ten year sovereign bond yields are down to record lows, trading at 1.72% this morning.

The three major agencies, Moody's, S&P and Fitch, all upgraded their rating of our long-term debt during 2014, with two of them moving us into the A grades. That is why I am targeting a deficit of 2.7% in budget 2015, ahead of the required target of 2.9% of GDP. I think it is appropriate to go beyond our requirements under the Stability and Growth Pact in order to build upon the progress made to date. Achieving a deficit below 3% does not signal an end to fiscal prudence in Ireland. Exceeding our target in 2015 will underpin solid, steady economic growth into the medium term and it is a further step on the way to balancing the budget. Even so, these figures do not fully reflect the progress we are making, as an element of the surplus income due from the Central Bank in 2015 is being used to reduce the debt. If the entire surplus income were counted for deficit reduction, the forecast deficit would be 2.5% next year. This prudent approach further improves our debt sustainability. We are making significant progress and we are forecasting that our gross debt ratio will drop below 100% of GDP in 2018, ahead of the reduction required by the Stability and Growth Pact.

Total general Government revenue will be €65.2 billion in 2015 and total general Government expenditure will be €70.5 billion. Expenditure under the Government expenditure ceiling, consisting of gross voted expenditure along with expenditure funded by the Social Insurance Fund and the National Training Fund, will be €53.6 billion. The Minister for Public Expenditure and Reform will set out full details of his 2015 expenditure allocations and publish the ministerial expenditure ceilings.

### *Corporation Tax Reform*

Since coming to office, the Government has provided vital supports to indigenous industry to grow and create jobs, such as the jobs initiative for the tourism sector, the tax reform plan for SMEs and measures such as the home renovation incentive for the construction sector. We have introduced significant reforms and improvements to our corporate tax system, and last year I introduced changes to address stateless companies.

Today I am publishing a roadmap to secure Ireland's place as the destination for the best and most successful companies in the world. There are many changes taking place globally in corporate tax. The key role the corporate tax regime plays in attracting investment is recognised by all developed economies, and our competitors for foreign direct investment are introducing enhancements to their systems to attract investment.

For over 60 years, foreign direct investment has been a cornerstone of Ireland's economic development. We have competed for and won major investment into Ireland and Europe from some of the largest and most successful companies in the world. With more than 166,000 people employed in more than 1,100 companies, the Irish foreign direct investment sector has real substance. Our competitive corporate tax system plays a key role. Ireland's corporation tax strategy has three key elements: rate, regime and reputation. I will deal with each issue in turn.

The 12.5% tax rate remains at the heart of this. The Government has successfully protected this tax rate in recent years. The 12.5% tax rate never has been and never will be up for discussion. The 12.5% tax rate is settled policy. It will not change.

**Deputies:** Hear, hear.

**Deputy Michael Noonan:** The roadmap responds to a changing international environment and ensures that we continue to attract and retain companies of real substance offering real jobs. The roadmap will improve Ireland's research and development, R&D, regime by fully phasing out the R&D base year from 1 January 2015; enhance Ireland's existing intangible asset tax provisions to make Ireland an even more attractive location for companies to develop intellectual property; improve SARP, the special assignee relief programme; and increase the resources of the Revenue Commissioners in its role as competent authority.

I am also going to extend the three-year corporation tax relief for start-up companies and the accelerated capital allowances scheme for energy-efficient equipment for a further three years.

Companies now invest as much or more in knowledge-based capital as they do in physical capital such as plant and machinery. Consequently, I intend putting in place a "knowledge development box" along the lines of patent and innovation boxes which have existed for many years in countries that compete with us for foreign direct investment. I am launching a public consultation process to gather views on how the knowledge development box should operate and plan to legislate for it in next year's finance Bill or as soon as EU and OECD discussions conclude. My intention is that the knowledge development box will be best in class and at a low competitive and sustainable tax rate. This intellectual property offering will be a key element in attracting future foreign direct investment to Ireland.

Aggressive tax planning by multinational companies has been criticised by governments across the globe and damaged the reputation of many countries. Schemes that exploit mismatches in tax legislation are being heavily scrutinised by the OECD and others and will come to an end over time through the base erosion and profit shifting project. The so-called "double Irish" is one of many such schemes. I am abolishing the ability of companies to use the "double Irish" by changing our residency rules to require all companies registered in Ireland to also be tax resident in Ireland. This legal change will take effect from 1 January 2015 for new companies and there will be provision for a transition period for existing companies until the end of 2020. This proactive change will not bring an end to international tax planning, which requires co-ordinated action by all countries. By taking action now and making this change as part of a broader reform of our corporate tax system, we are giving certainty to investors about corporate tax in Ireland for the next decade. These measures will enhance Ireland's corporate tax regime and align it with best practice internationally. It will ensure that Ireland continues to be the home of the best and most successful companies in the world. We will attract and retain companies with real substance offering real jobs. Full details of all the measures I am announcing today will be included in the finance Bill.

### *IFSC*

Corporation tax reforms will also support our international financial services sector in which more than 33,000 highly skilled professionals are employed. A new strategy for financial services in Ireland is being developed and will be launched next year. The strategy will identify and lay out actions to successfully develop the opportunities to grow the sector in this globally competitive market and increase the numbers employed.

### *Farming and agrifood sector*

I now move to farming and the agrifood sector. Farming is our largest indigenous industry

with an annual turnover of approximately €26 billion and 170,000 employees. It is important not only because of the number of people it employs but also because it employs those people in every townland and along every byroad in Ireland. I am publishing today the agritaxation review, which I announced in last year's budget. Arising from the recommendations in the review, I am introducing a number of tax measures to support farming.

There will be no milk quotas from 2015 leading to new opportunities which we can exploit but we must make additional land available to young and active farmers. Therefore, to encourage the long term leasing of land and improve productivity, I am increasing the income tax exempt thresholds by 50% and introducing a new threshold for leases of 15 years and over. I am allowing relief where the lessee is a company and removing the current 40-years-of-age threshold for leasing relief. I am targeting CAT relief for agricultural property to ensure it is used by active farmers and broadening CGT retirement relief so that, for example, individuals can now lease out their land for up to 25 years prior to disposal and still be eligible for CGT retirement relief. I am extending CGT retirement relief to land let under conacre which is disposed of or converted to long term leasing before the end of 2016, extending stamp duty relief for non-residential land transfers between certain close relatives, and removing stamp duty on agricultural leases in excess of five years. I am extending CGT farm restructuring relief to the end of 2016 and broadening it to allow for restructuring through whole farm replacement. Volatile agricultural prices make it difficult for farming families to earn a steady income over a number of years. To improve the situation, I am increasing the range for income averaging from three to five years. I am also allowing income averaging on farm income to be available to farmers who derive income from another trade or profession, if this is due to on-farm diversification. This measure will be reviewed after three years to assess how well it is working.

The farmers' flat rate addition for farmers not registered for VAT is being increased from 5% to 5.2% with effect from 1 January 2015.

In recognition of the importance of the Irish bloodstock industry to the rural economy and the anticipated yield of €25 million per annum from betting duty, the Government will be providing an additional €6 million a year for three years to the fund for horse and greyhound racing. The Government is also allocating additional capital of €5 million to Horse Racing Ireland in 2015 to leverage investment in race courses.

Microbreweries in Ireland have been a success story in recent years. They have expanded their market share, provided employment throughout the country, and are now making inroads into markets abroad. To further assist the development of this sector and not to stand in the way of growth, I am increasing the annual excise relief production ceiling for microbreweries from 20,000 to 30,000 hectolitres.

### *Marine*

Having experienced the positive outcome of the agri-taxation review, I am now proposing a similar exercise for the marine sector. The Government has prioritised the marine as a key area for further growth under the harnessing our ocean wealth strategy, with a target of doubling the value of Ireland's blue economy by 2030. I am keen to ensure there is a supportive financial environment underpinning this target and so I intend to review the financial and taxation supports and opportunities available to the marine sector. This exercise will not cover offshore petroleum exploration and production as a revised taxation regime for this area has already been determined. My Department will work closely with the marine co-ordination group to

examine strategic measures that could be introduced to help Ireland as an island nation to fulfil its potential in the marine area.

### *Film*

The new Irish film tax credit scheme is due to commence in 2015 and I am pleased that it has been broadly welcomed by the film industry. The film industry is very important to modern Irish culture and to the economy, not just in terms of jobs but also indirectly through tourism promotion. As the new scheme beds down next year, I will be monitoring how it works and how it can be improved. One of the issues that I will consider in the context of budget 2016 is a possible increase to the €50 million cap on eligible expenditure, subject of course to resource constraints.

### *Tourism*

Tourism delivers income and jobs in every town and city and to every corner of our country. The abolition of the air travel tax last year will result in more than 1 million extra passengers through additional capacity on many existing routes, as well as the introduction of new services. The reduced 9% rate of VAT on tourism-related activities has been a great success and there are now an extra 23,000 employed in the sector since mid-2011.

This initiative is delivering and I am retaining the 9% VAT rate for these services.

**Deputies:** Hear, hear.

**Deputy Michael Noonan:** In the light of reports of rising prices in this sector, it is incumbent on the industry to ensure that this relief continues to be passed through fully to the consumer. However, let me be very clear: the taxpayer cannot be the only stakeholder keeping costs down in the sector. If prices begin to rise, the case for retaining the measure diminishes.

The reduction in the VAT rate for tourism services to 9% was funded by the 0.6% pension levy I introduced in the jobs initiative in 2011 and continued in the budget last year. Without the pension levy there would have been no VAT reduction. This is a fact. Not only would this have meant that the thousands of jobs that have been created in the sector may not have been created but that thousands of existing jobs could have been at risk. As a result of the overall improvement in the country's finances, I am now in a position to continue the VAT reduction but I am also ending the 0.6% pension levy at the end of 2014. The additional 0.15% pension levy I introduced for 2014 and 2015 will expire at the end of 2015.

### *Private and Social Housing Market*

Every economy needs a fully functioning property market. Despite progress in recent years, the market is not currently meeting the needs of citizens. This is evident in private housing, social housing and the rental market, particularly in Dublin. There is strong demand for housing but insufficient supply. The State alone cannot meet the private and social housing needs of all citizens, nor can it use taxpayers' money to subsidise private building and construction companies or guarantee their debts and liabilities. Under the Construction 2020 strategy, the Government is removing blockages from the system to get the market moving, generate building activity and increase supply. Across government, we are taking action to support the private and social housing and rental sectors by addressing issues in the planning regulation and development systems, the supply of land and upgrading of existing housing stock and the financing

of private and social housing development. The Minister for Public Expenditure and Reform will address the issue of social housing in his statement. My colleague, the Minister for Environment, Community and Local Government, has announced changes to the Planning Act and will be making further improvements to the system in due course.

To increase and improve the housing stock, I am bringing forward a number of measures. The home renovation incentive, HRI, has been very successful to date, with just under 9,300 homes on the HRI online system, representing nearly €190 million worth of works involving some 3,000 contractors. The incentive is generating employment in the tax compliant construction sector and increasing sales in building supplies, hardware and related businesses. To support legitimate operators in the rental and construction sector and help to upgrade the quality of private rental stock, particularly at the lower end, I am extending the home renovation incentive to rental properties the owners of which are liable to income tax. This means that this very successful scheme will now be available to landlords for work carried out from budget night until the end of 2015. This will allow work to be carried out in a cost effective manner and I expect the savings realised under the scheme to be reflected in rent levels.

The living city initiative, announced in budget 2013 and extended last year to all six cities, targets certain areas that are most in need of regeneration in these cities. Discussions with the European Commission are at an advanced stage and I am hopeful the local authorities in each city - Dublin, Cork, Limerick, Waterford, Galway and Kilkenny - will be in a position to suggest final proposals for eligible areas in their cities later this year in time for the full roll-out of the initiative in early 2015. This is a very attractive initiative designed to bring families back into city centres and maximise the use of existing pre-1914 buildings by transforming them into modern homes. This initiative allows home owners to offset the entire cost of renovation against their income tax over a ten year period.

I am also removing the capital gains tax relief I introduced to incentivise the purchase of property between 7 December 2011 and the end of 2014. It has achieved its objective of increasing property transactions and is no longer needed.

I am removing, with effect from 1 January 2015, the 80% windfall tax applying to chargeable gains on the disposal or development of land which are attributable to planning decisions made since October 2009. The 33% rate of capital gains tax and other standard taxation arrangements will now apply to the property market, as it does to other normal functioning capital asset markets.

To support first-time buyers saving for their first homes, I am introducing a refund for deposit interest retention tax, DIRT, on savings used to purchase their homes. This refund will apply from budget night and will run until the end of 2017 in respect of savings up to a maximum of 20% of the purchase price. As a result, first-time buyers will be able to save for their first home and retain 100% of the interest they earn on their savings. I expect the banks will introduce specific savings products to support this new initiative.

The Ireland Strategic Investment Fund, ISIF, under the auspices of the National Treasury Management Agency, NTMA, is exploring ways through its commercial mandate to support financing projects that will enhance the supply of housing. Potential options include the development of house builder investment funds, enabling of large-scale development projects and investment in social housing public-private partnership projects. There will be no return to the past, where tax incentives for developers drove supply.

**Deputy Paul Kehoe:** Hear, hear.

**Deputy Michael Noonan:** The Government is doing its part to overcome the challenges and remove the roadblocks to a fully functioning property market. It is up to the other stakeholders to follow suit.

There is a view that owners of zoned and serviced land are waiting for higher prices and that is why they are not taking steps to develop their land or sell it to others who will. I will launch a public consultation in the coming months on this issue and if it turns out to be a valid point of view, I will examine what taxation measures might be taken to penalise landowners who do not develop land that is already zoned and serviced.

*Water Charges Relief*

To alleviate the burden of the new water charges on working families across the country, income tax relief will be available at the standard rate in respect of water charges up to a maximum of €500 per household per year. The water charges relief will be worth up to €100 per household per annum when claimed in the following year.

*Business and Enterprise*

I have-----

**Deputy Joe Higgins:** It will not save you.

**Deputy Mattie McGrath:** The water is too hot.

**Deputy Finian McGrath:** Get rid of them.

**An Ceann Comhairle:** The Minister, without interruption, please.

**Deputy Michael Healy-Rae:** He has had a good run.

**Deputy Michael Noonan:** I have said on many occasions that small and medium enterprises, SMEs, are the lifeblood of our economy and play a crucial role in economic and employment growth. This Government has introduced a range of initiatives to support the SME sector to grow and create jobs.

*Financing SME growth*

The strategic banking corporation of Ireland, which is expected to be formally launched at the end of this month, will increase the availability of loans of longer duration, coupled with more flexible conditions and potentially at lower cost. Permanent TSB, which will shortly recommence actively lending to the SME sector, has agreed to participate in the Credit Review Office process and Ulster Bank is actively considering making a similar commitment. The seed capital scheme will be relaunched in the coming months. I am increasing the amount of finance that can be raised by a company under the employment and investment incentive to €5 million annually, subject to a lifetime maximum of €15 million. Investment in the management and operation of nursing homes, medium-sized enterprises in non-assisted areas and internationally traded financial services that are certified by Enterprise Ireland will now qualify under the scheme. I am increasing the required holding period for shares from three to four years and extending the inclusion of hotels, guest houses and self-catering accommodation in the scheme by a further three years. These changes are subject to the approval of the European Commission.

### *Export Support*

To support SMEs to grow their businesses abroad, I am improving the foreign earnings deduction by extending the list of countries eligible to include Mexico, Chile and certain countries in the Middle East and Asia; reducing the number of days that employees are required to be abroad in a year to 40 days; and including travel time in order to make it easier for smaller companies to send employees on trade missions. My Department and the Department of Jobs, Enterprise and Innovation will roll out an integrated export finance strategy in 2015, with financing products and platforms being developed by the strategic banking corporation of Ireland and the Ireland Strategic Investment Fund in conjunction with Enterprise Ireland.

### *Income Tax Reform Plan*

A fair, efficient and competitive income tax system is essential for economic growth and job creation. Income tax increases introduced between 2008 and 2011 mean that employees on the minimum wage are liable for the top rate of USC and workers on average incomes in Ireland face a marginal tax rate of 52% of their income when income tax, USC and PRSI are combined. Those who have lost their jobs have been hit hardest in recent years but working families have seen significant falls in both wages and take-home pay. These outcomes impact on competitiveness, are negative for economic growth and act as a barrier to job creation. Reduced take home pay also directly affects consumer confidence and has serious consequences for businesses, especially retailers. We have all seen the impact of this in towns and villages throughout of the country.

### *3 o'clock*

In each of my previous three budgets, we have not increased income tax or USC rates, nor have we reduced credits or bands. In my first budget, I exempted 330,000 low income earners from the USC. The Government viewed this as the best possible approach to income tax policy for the early phase of our national recovery. As we enter a new phase in the recovery, the progress made during the past three years in improving public finances, increasing economic growth and creating jobs means the Government can focus on reforming the income tax system in a manner that positively contributes to and strengthens that recovery. These reforms will give confidence about the future and create the opportunity for businesses to grow again.

In the summer, the Government committed to delivering better living and working standards to our people. Developing a considered and focused tax reform plan that reduces the 52% marginal tax rate on low and middle income earners in a manner that maintains the highly progressive nature of the tax system is a key part of this commitment. This will be delivered over a number of budgets. Reform starts today by means of making it more attractive to return to work, to stay in work and to ensure that work rewards individuals adequately. My Department estimates that a consistent series of reforms, along the lines announced today, delivered over a three-year period, could boost employment levels by as much as 15,000 jobs when the full impact of the changes have taken effect in the economy.

To deliver on this plan, I am: increasing the entry point to the universal social charge to just above €12,000, removing 80,000 low-income workers from the charge altogether-----

**Deputies:** Hear, hear.

**Deputy Michael Noonan:** -----increasing the entry point to the second rate of USC from

just over €10,000 to just above €12,000 and the upper ceiling for this band is increasing from just over €16,000 to just above the level of the minimum wage; reducing the 2% USC rate to 1.5%; reducing the 4% USC rate to 3.5%; increasing the income tax standard rate band by €1,000 to €33,800 for single individuals and by €2,000 for households with two income earners; reducing the top rate of income tax from 41% to 40%; introducing a new 8% USC rate for incomes in excess of €70,000 and an 11% rate for self-employed income in excess of €100,000 to limit the benefits of these changes for the top 10% of earners; and retaining the exemption from the top rate of USC for medical card holders earning less than €60,000 and these individuals will now only be liable to a maximum USC rate of 3.5%. The latter rate of USC is also the maximum that will apply to those over 70 with incomes lower than €60,000.

These changes mean that everyone who currently pays income tax or USC, or both will benefit from today's budget changes. For example: a part-time worker earning €12,000 will continue to face no income tax and now no USC charge; a minimum wage worker will now face a maximum USC rate of 3.5%; a working family with three children where both parents earn €50,000 each will have an additional €100 per month in their pocket; but all employees with incomes in excess of €70,000 will continue to face a marginal tax rate of 52%. The changes I have outlined enhance the progressivity of our income tax system, with the top 1% of income earners now paying 21% of all income tax and USC collected. In contrast, the bottom 76% of income earners will pay 20% of the total. This is the first instalment of a plan to progressively reduce the 52% tax rate on low and middle income earners in a manner that maintains the highly progressive nature of the Irish tax system.

I have set the direction and the parameters for this reform today and I will follow this approach in next year's budget. And, if the Government is re-elected, this approach will be followed in the 2017 budget.

**Deputy Finian McGrath:** Election promises.

**Deputy Michael Noonan:** We will continue to ease the burden on those in the middle in a targeted manner without giving disproportionate benefits to those on the highest incomes. The 52% marginal rate will be lowered further while ensuring those on higher incomes continue to pay their fair share. Progressivity will be copper-fastened by giving greater importance to USC at higher incomes so that the capacity of higher earners to shelter their income through tax breaks is significantly curtailed.

#### *Funding tax changes*

I now turn to the funding of the tax changes that I have announced. The measures I have announced today will cost an estimated €585 million next year, and this has to be paid for. So, with effect from midnight tonight, the price of 20 cigarettes will increase by 40 cent-----

**Deputy Finian McGrath:** What about the working man?

**Deputy Michael Noonan:** -----with a *pro rata* increase on other tobacco products.

**Deputy Finian McGrath:** It is a nanny state.

**An Ceann Comhairle:** Let us all hear, please. Thank you.

**Deputy Michael Noonan:** This will bring the price of cigarettes in the most popular price category to €10. In addition, a pouch of roll-your-own tobacco will increase by a further 20

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cent per 25g pack. Revenue is also being raised through previously provided-for changes in the betting duty and as a result of changes in VAT rules at European Union level. Collectively, the revenue-raising measures in the budget will contribute over €167 million to the Exchequer in the coming year.

I am not raising taxes on alcohol. I am not raising taxes on petrol. I am not raising taxes on diesel. I am not raising motor tax. I am not raising the vehicle registration tax.

**Deputy Pearse Doherty:** What about water? The Minister has not mentioned water.

**Deputy Jerry Buttimer:** Deputy Pearse Doherty and Sinn Féin learned their lesson last weekend.

**An Ceann Comhairle:** Why do we always have the same voices shouting? Why is it always the same people? Will you proceed, Minister?

**Deputy Michael Noonan:** Actually, I am not raising any other taxes at all because I am able to fund the costs of these reforms and incentives through improved tax revenues arising from economic growth and expenditure restraint.

### *Conclusion*

Both the taxation and expenditure sides of this year's budget are designed to support and broaden the economic recovery that we are now experiencing. Available resources have been carefully targeted at initiatives that will build consumer confidence, support jobs and strengthen demand in the domestic economy. The measures introduced today will put more money into the domestic economy, assist local businesses and retailers and drive growth right across the country. We, as a country, have travelled a long road to get to this point. Managing an economy is not just about numbers. Without the support and resilience of the people, our public finances would not be now under control and our economy would not be growing. I believe this budget is the right approach for Ireland at this point in our recovery. As I have said, we have travelled the long road and we are now at a very important crossroads. We are now facing a choice: do we return to the past, unwind the progress and structural reforms made and pursue boom-and-bust policies, or do we look forward and continue to build for a better future with a new economic model?

Colleagues will recall Robert Frost's poem "The Road Not Taken", which starts with the line, "Two roads diverged in a yellow wood". The road ahead of us diverges and we have a choice to make. Do we take the road frequently trodden by Governments in the past, a road whose signposts are tax and spend and where our journey is through boom to arrive at bust?

**Deputy Mattie McGrath:** It is stop signs he has.

**Deputy Michael Noonan:** I will read that again, in case Deputy Mattie McGrath did not hear it.

**Deputy Michael Ring:** The Deputy was part of it.

**Deputy Brendan Howlin:** In fairness, he got off the ship.

**Deputy Mattie McGrath:** It is a no-go area.

**Deputy Jerry Buttimer:** The Deputy backed the Government for long enough.

**Deputy Michael Noonan:** Do we take the road frequently trodden by Governments in the past, a road the signposts on which are tax and spend and where one's journey is through boom to bust, or do we, like Frost, take the road "less travelled by"?

**Deputy Gerry Adams:** It would not make any difference.

**Deputy Michael Noonan:** It is a road on which the milestones are prudence and caution. It is a road that delivers stable economic growth, encourages investment, rewards work, creates job opportunities and delivers high quality public services. It is a road on which citizens have certainty about their incomes and can plan for the future without fear of another bust; it is a new road to a new Ireland. I know the road the Government will take. I commend the budget to the House.

**Minister for Public Expenditure and Reform (Deputy Brendan Howlin):** Today we are announcing the Government's fourth budget. It is a significant day which marks the end of an era of budgetary austerity. This time last year, we estimated that to meet our budget deficit target, it would require further cuts of €1.3 billion on the spending side. That we are now in a position to increase expenditure, responsibly, indicates the progress we have made. To be forced to reduce expenditure for the past six years and seven budgets was unprecedented. That is the scale of the damage inflicted on the people by Fianna Fáil in government. We now have some flexibility to meet emerging demands and invest in public services. This is a further sign that we are normalising both politics and economics following the greatest economic crisis in our history.

#### *Sustainable Recovery*

As the Minister for Finance indicated, the Government's priority is to keep the public finances on a sustainable path to recovery. The spending measures announced today are consistent with that goal. As we know only too well, the price to be paid for losing control of the public finances is high.

We committed to bringing the deficit to under 3% of GDP by 2015. Today we honour that commitment, not just to our European colleagues but to our own future generations. In fact, as the Minister for Finance indicated, our deficit target for next year is 2.7% of GDP.

As a Government, we have never believed in austerity for austerity's sake. I do not believe further cuts are necessary. Economic and employment growth has always been the best solution to addressing the fiscal deficit.

Of course, arising from our acceptance of the fiscal treaty referendum, the public finances are now governed by the new European fiscal rules. As we pursue our path towards a balanced budget in structural terms, expenditure growth is limited by the medium-term growth capacity of the economy.

#### *Comprehensive Review of Expenditure*

Today, I will publish the Comprehensive Expenditure Report 2015 - 2017 which is now being circulated to Members, setting out expenditure measures for 2015 and departmental expenditure ceilings up to 2017. I will also be publishing, later this week, background papers on our spending options, including all departmental submissions received as part of the comprehensive review of expenditure.

### *Expenditure Ceilings*

Gross current expenditure for 2015 will be just over €50 billion. This figure represents an increase in expenditure of €429 million on the 2014 Revised Estimates. This increase in spending is targeted primarily at critical areas in social protection, health, education, justice and housing.

It is also intended that current expenditure will rise by further amounts in 2016 and 2017. The allocations published today contain some increases to meet service pressures we have identified. Further improvements will be announced next October in line with the Government's priorities. The extent of any such increases will be determined by future economic growth and the level of progress made towards our medium-term objectives.

I am also pleased to announce an increase of €210 million in the capital spending programme for next year. In 2015, capital expenditure will exceed €3.5 billion and the figure will increase further in 2016 and 2017. We are investing in our future and the detailed capital review, setting out priorities to 2020, will be published before the end of the year.

This brings the net overall increase in expenditure over last year to €639 million. This position is €2 billion better than we envisaged at this time last year.

### *Society - Housing*

An out-of-control property bubble played a significant role in the economic crash. We have not been able to build enough houses in recent times to meet the demand that is being driven, thankfully, by our economic recovery. We have a supply deficit which has pushed up prices, particularly in urban areas. This, in turn, has led to a decline in the availability of social and affordable housing both for purchase and rent. The Government is committed to addressing this social problem. The Minister for the Environment, Community and Local Government has proposed a number of measures in the recently announced planning Bill and will shortly elaborate on the Government's social housing strategy for the period from 2015 to 2020. These measures are complemented by the announcements made by the Minister for Finance today to stimulate wider housing supply.

The Government is determined to meet the scale of social housing need with a level of investment commensurate with the scale of the challenge we face. Our strategy involves a multi-annual approach to significantly increasing the provision of social housing, one which combines a considerable increase in Exchequer investment with innovative approaches to improve supply. Therefore, I am announcing an overall capital investment of more than €2.2 billion for social housing provision for the next three years.

**Deputies:** Hear, hear.

**Deputy Brendan Howlin:** This will involve three main strands. First, more than €1.5 billion will be directly invested by the Exchequer by 2017. Second, public private partnerships will be used to invest €300 million in social housing units by 2017. Third, an off-balance sheet financial vehicle will provide at least €400 million from 2015 onwards to approved housing bodies.

Turning specifically to next year, I am allocating more than €800 million for the housing programme in 2015. More than €450 million of this will be for capital investment. This is the

first major investment in housing by a Government since 2009. Further measures will be taken in 2016 and 2017, when allocations of €500 million and €600 million, respectively, will be made for social housing capital. This capital investment will deliver an additional 2,500 housing units in 2015 and more than 6,700 housing units by 2017.

As well as increasing direct Exchequer investment, we also need to explore off-balance sheet approaches to delivering on this urgent social need. The first approach is to develop public private partnerships. These are not the land swap deals between local authorities and developers which so obviously failed in the last regime. We are going to adopt the successful model that we have developed over recent years, which has delivered 23 schools at a time of limited resources. The firm objective of this measure is to deliver a further 1,500 housing units by 2017.

The second non-Exchequer approach is to set up an off-balance-sheet financial vehicle to channel investment funds to the voluntary housing sector. This will operate on an independent commercial basis to provide financing to approved housing bodies. The financial investment vehicle would be open both to private investors and bodies such as the European Investment Bank. We have already had discussions with them. It is the intention of the Government that €400 million of public investment will be available, including from the proceeds of the sale of the Bord Gáis Energy business.

**Deputy Timmy Dooley:** And Irish Water.

**Deputy Brendan Howlin:** This will leverage private finance and provide at least another 2,000 housing units over the period 2016 to 2018. The Government believes it is entirely appropriate that the disposal of one State asset should finance a different State asset which meets an urgent social need. Overall, this large-scale investment will fund the provision of well in excess of 10,000 housing units between now and 2018.

In addition to capital funding, the introduction of the housing assistance payment will support the social housing needs of 8,000 households. An additional 3,000 households will be housed by local authorities through the leasing of houses next year.

I am also pleased to announce that an additional €10 million will be provided for accommodation and related services for homeless persons. This will increase the annual expenditure for tackling homelessness to €55.5 million next year. This goes beyond the Government's existing commitment to maintain expenditure at the 2013 level of €45 million to 2016.

#### *Society - Supporting Jobs and Enterprise*

Unemployment is falling faster than almost everywhere else in the EU. It now stands at just over 11%, down from a high of 15.1% in early 2012.

**Deputy Gerry Adams:** What about emigration?

**Deputy Brendan Howlin:** We expect it to fall to 10.2% in 2015. We have created 76,600 net new jobs.

**Deputies:** Hear, hear.

**Deputy Brendan Howlin:** The number of people now at work is as high as it was in 2009. Unemployment is still too high, but the employment support measures we have introduced

are paying dividends. In 2015, €1.6 billion will be made available to provide approximately 300,000 work and training places in support of the Pathways to Work strategy. This will help people acquire the skills necessary to compete for the jobs that are now being created in this economy. A total of €12 million has been allocated for the JobPath initiative next year. This will match the long-term unemployed with appropriate training and employment opportunities, allowing them to get back to work. We are also doubling the number of positions for the long-term unemployed on the Government's wage subsidy scheme, JobsPlus, to 6,000.

As set out in the Government's statement of priorities, to ensure that the benefits of recovery are felt by all workers, we will be establishing a low pay commission next year.

*(Interruptions).*

**Deputy Brendan Howlin:** The Deputy thinks that is funny, of course.

**Deputy Joe Higgins:** Yes.

**A Deputy:** Disgrace.

**Deputy Brendan Howlin:** The capital allocation of €450 million for the Department of Jobs, Enterprise and Innovation next year will ensure continued strong support for job creation and enterprise supports, with a focus on building on our recent strong export performance.

Another critical component underpinning future growth in jobs is sustained investment in research, development and innovation. The combined research and development funding provision for Enterprise Ireland and Science Foundation Ireland next year is over €260 million. This will enable us to leverage significant new funding opportunities externally from industry partners and the European Union.

*Society - Social Protection*

Economic recovery without a commensurate social recovery is obviously not an end in itself. To that end, I am allocating €19.4 billion to social protection next year. I am pleased to be able to tell the House today that next year will be the first year since 2009 when there will be no cuts to social welfare schemes.

**Deputies:** Hear, hear.

**Deputy Timmy Dooley:** You have been telling us there have been none for the past three years.

*(Interruptions).*

**An Ceann Comhairle:** Settle down. There is no need to help them. Just stay quiet.

**Deputy Brendan Howlin:** We are determined that economic recovery should be and will be accompanied by social recovery. Getting people back to work remains this Government's number one priority. A new back-to-work family dividend will be introduced to provide an additional incentive for families to move from welfare to work. This will allow families to retain the full qualified child increase of €29.80 per week per child for 12 months after their return to work and 50% of the payment in the second year.

This Government succeeded in protecting basic social welfare rates in the last three budgets

during the most difficult times. Now that recovery is taking hold, I believe it is important that the limited scope we have is used to alleviate the pressures faced by those most under pressure in our society. I am pleased to announce that we will increase the rate of child benefit by €5 per child from January next.

**Deputies:** Hear, hear.

**Deputy Barry Cowen:** That is for Tesco.

**Deputy Timmy Dooley:** This is the Aldi ad.

**Deputy Brendan Howlin:** Provided circumstances allow, we will increase child benefit again in 2016, by a further €5.

**Deputies:** Hear, hear.

**Deputy Brendan Howlin:** We are increasing the rate of the living alone allowance to €9 per week, benefiting almost 180,000 elderly people from January 2015.

**Deputies:** Hear, hear.

**Deputy Brendan Howlin:** These are the first rate increases to be applied to social welfare since 2009 when the economy was collapsed by the previous Administration. The outturn figures for unemployment for 2014 are much better than forecast. The Government has decided to allocate a portion of these live register savings to pay a 25% bonus to social welfare recipients this coming Christmas.

**Deputies:** Hear, hear.

**Deputy Brendan Howlin:** This is a current year payment from 2014 figures. Whether a similar bonus will be paid next year will again depend on the availability of sufficient savings in next year's social protection Vote.

### *Water*

The establishment of Irish Water is a necessary measure to put the provision of this critical resource on a long term sustainable footing. Securing a quality water supply, as everybody in the House knows, is critical both for individual families and for the businesses which rely on quality water for jobs. However, the Government recognises that this measure is the last in a series of measures that have imposed burdens on the Irish people. To that end, we are determined to alleviate this burden. My colleague, the Minister for Finance, has already announced a new tax allowance to reduce the water burden on working families. To complement that move, I can confirm a new water subsidy worth €100 per annum for all recipients of the household benefits package as previously announced. In addition, this is being expanded to include all recipients of the free fuel allowance schemes who are not already covered by the household benefits package.

**Deputies:** Hear, hear.

**Deputy Brendan Howlin:** This will benefit 653,000 households in this country-----

**Deputy Michael Healy-Rae:** It is €2 a week.

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**Deputy Brendan Howlin:** -----who will see their water bill reduced by €100 to mirror the allowance available to taxpayers announced by the Minister for Finance.

**An Ceann Comhairle:** Stay quiet please. Please stay quiet and allow the Minister continue. Hundreds of thousands of people at home would like to hear him, but you lot here would like to shout him down.

**Deputy Brendan Howlin:** All of these social protection measures will cost €196 million next year and will be funded by the fall in the live register as a result of getting people back to work - the most successful outcome of the policies pursued by the Government.

**Deputy Mattie McGrath:** Many of them are in Australia.

**Deputy Brendan Howlin:** This is a real social dividend delivered by the policies we have progressed. There are now 1.91 million people at work, a higher number than when Deputy Mattie McGrath abandoned Fianna Fáil.

**An Ceann Comhairle:** The Minister should just ignore Deputy Mattie McGrath.

**Deputy Brendan Howlin:** The Tánaiste will provide more detail later on the full range of social protection measures.

#### *Society - Health*

The Government continues to recognise health as a key priority and will provide €13.1 billion for the delivery of health services next year. In 2015, more than 2.1 million people - nearly half the population - will have a medical or GP visit card. This includes our extension of GP coverage to those under six and those over 70. We will provide additional staff so that patients can access mental health services, such as psychologists and counsellors in the primary care setting. I am providing an additional €25 million to deal with delayed discharges in hospitals. I am allocating more than €3 billion to support older people and disabled services in 2015, and €2.3 billion for prescription drugs.

I want to pay particular tribute to our hospital services and to the people who work in them. The Government prioritises these key services. I remind the House that the number of people working in hospitals has remained at 2011 levels of more than 48,000 people, despite increased demands on their services. The additional funding being provided today will ensure the continued provision of core services and enable delivery of programme for Government commitments to further enhance the health and well-being of our population. Further details will be provided later today by my colleague, the Minister for Health.

#### *Society - Education*

I am allocating €8.3 billion to the education sector for current expenditure in 2015. I confirm there will be no increases in class sizes and no reduction in the numbers of teachers or special needs assistants. On the contrary, next year will see more than 1,700 additional new full-time posts. This is comprised of 920 mainstream teachers, 480 resource teachers and 365 special needs assistants. I am also allocating €530 million to education for capital expenditure. It is worth noting that in the lifetime of the Government more than 150 new schools will have been built and there will be large scale extensions or improvements of a further 100 schools. At third Level, we have seen the completion of the first phase of the new Grangegorman campus at the Dublin Institute of Technology.

*Other Measures*

I would like to briefly outline some further measures.

*Justice*

Some €2.2 billion will be allocated to the justice sector, which will allow for the future recruitment of more gardaí.

**Deputy Mattie McGrath:** How many?

**Deputy Brendan Howlin:** As my colleague, the Minister for Justice and Equality, will outline later, this funding will also support the justice reform programme. The programme includes plans for the reform of An Garda Síochána, the strengthening of the remit of GSOC and establishment of the new independent policing authority, the Court of Appeal, the Irish Human Rights and Equality Commission and the establishment of the Charities Regulatory Authority.

*Children*

Some €975 million will be allocated to the Department of Children and Youth Affairs. This will support the new child and family agency, Tusla, in its delivery of integrated and effective services including the improvement of residential and foster care services. A capital allocation of €35 million will be used to support additional and improved child detention services. The Minister for Children and Youth Affairs will later provide further details on these plans.

*Rural Affairs*

Next year will see an increase in the agriculture Vote, to more than €1 billion. The Minister for Agriculture will use this to support the rural development programme, the seafood development programme, the Food Harvest 2020 plan and the innovative beef data and genomics programme. Funding will also support the implementation of the report of the commission for the economic development of rural areas.

*Cohesion Funding*

I am committed to ensuring that the benefits of our economic revival are shared across the whole country. In this context, Ireland has secured €1.2 billion in structural funds for the period 2014-2020. This represents an increase of 8% over the previous seven year period and includes a special allocation of €100 million for the Border, midlands and western region. This funding will be delivered through operational programmes co-financed by the Irish Government, the European Social Fund and the European Regional Development Fund, with a combined value of just more than €2 billion.

The Government was also successful in securing additional funding for a new PEACE programme for the Border counties of Ireland and Northern Ireland. Along with its sister INTER-REG programme, this will form part of a package of funding worth in excess of €500 million to the region over the next seven years. The Government attaches a high priority to these cross-Border programmes. I am pleased to say that draft programmes have now been submitted to the Commission by the Government in partnership with the Northern Ireland Executive.

*International Aid*

Ireland has a very strong record in the area of international development. It has been recog-

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nised across the world that we have maintained our engagement in the fight against global poverty and hunger, even in the face of extraordinary economic difficulty at home. Our aid programme prioritises some of the poorest countries in sub-Saharan Africa. Next year, some €476 million is being provided through the international co-operation Vote of the Department of Foreign Affairs and Trade. Combined with our share of the EU development co-operation Vote and contributions from other Departments, this will bring our overall official development assistance to some €600 million.

This level of funding will enable Ireland to continue to play a critical role in some of the most pressing humanitarian crises witnessed for many generations. For instance, we have taken a lead in providing some €14 million this year alone for the victims of the appalling conflict in Syria and its neighbouring region. We provide €10 million annually to support the Palestinian people, and Deputy Flanagan, the Minister, at the international conference in Cairo at the weekend pledged €2.5 million for the reconstruction of Gaza. We are one of a small number of European countries with an embassy in Sierra Leone, a partner country for our aid programme. Through the Irish Aid programme in both Sierra Leone and Liberia and our funding to NGOs working in West Africa, we are currently providing more than €16 million in development assistance, much of which is focused on strengthening health systems, but also on directly fighting the Ebola outbreak.

#### *Arts and Heritage*

I am announcing an increased allocation of €212 million for the Department of Arts, Heritage and the Gaeltacht in 2015. This will be used to sustain the work of the Arts Council and to support our important cultural institutions and the Irish language. I am also allocating €61 million in capital expenditure. As well as investing in our future, funding is being provided for a programme of commemoration projects related to the social and political developments of the decade from 1912 which helped to form modern Ireland. The Minister for Arts, Heritage and the Gaeltacht will later provide details on these issues.

#### *Defence*

I am happy to confirm continued investment in critical defence funding, with an allocation of €885 million. The Minister for Defence will use this funding to prioritise Naval Service vessel renewal. Funding will also allow continued participation in overseas peace support operations. I would like to take this opportunity to acknowledge the dedication and commitment of our Defence Forces, both at home and representing Ireland with distinction abroad, particularly as witnessed in recent times. These are just a few of the measures set out in detail in the comprehensive expenditure report. *Public Service Reform*

Public service reform remains at the heart of this Government's agenda and will focus on ensuring efficiency and improving outcomes for service users - that is, every citizen in the country. Investment in public services will be targeted at priority areas and will be linked closely with reform. This Government is not going to allocate resources to services that are unreformed.

The cost savings delivered through the Government's reform programme are being used to support priority front-line services, as I have already set out. Public service numbers have been reduced by 10% since 2008. I am pleased to announce that there will be no further overall reductions. An important part of the reform agenda is greater autonomy for Departments

and agencies to manage their own staffing levels. From next year, I am pleased to announce that Departments will have discretion over staffing levels within an overall pay framework. In tandem with the announcements I have made regarding additional gardaí, teachers and so on, next year will also see a resumption of recruitment into the Civil Service. We need to provide opportunities for people to enter employment in our public services. I also intend to launch the new plan for Civil Service renewal in the coming weeks. This marks the end of the moratorium on recruitment, but in a targeted and focused way.

*Conclusion*

I concluded my Estimates address two years ago by saying that the Irish people would, in time, be proud of our collective national response to the biggest economic crisis in our independent history. The improving economic statistics are the proof of that response. They are a tribute to the Irish people. Not everything is mended; not everything is yet as it should be.

**Deputy Michael Healy-Rae:** A lot done, more to do.

**Deputy Brendan Howlin:** We still have a way to go, but our collective achievement in the face of adversity is a considerable one. There remain challenges ahead, but discipline, hard won, will not be jeopardised. Irish people will not thank anybody who forgets and repeats the mistakes of the past. As we enter a new era in Irish history, that is this Government's commitment to the Irish people.

**Deputy Dessie Ellis:** What about the 100,000 people on the streets the other day?

**An Ceann Comhairle:** I call on the spokesperson for Fianna Fáil.

*(Interruptions).*

**An Ceann Comhairle:** Will Members respect the speaker? There should no talking in the lobbies. Members should leave the Chamber if they are leaving. Thank you.

**Deputy Michael McGrath:** That is part of the problem we have, a Cheann Comhairle, in that the Government of the day does not respect the Opposition. This budget is all about using borrowed money to buy votes.

*(Interruptions).*

**Deputy Alan Farrell:** The irony of that.

**Deputy Michael McGrath:** The headline element of the Minister's budget today is his income tax proposals. Having decided to go down the road of changing income tax, I honestly believe he has made a mess of it. Let me give the Minister a number of examples. We have heard all the rhetoric that this would be the budget to reduce the burden on low- and middle-income families. An individual working full-time and earning €32,000 a year will benefit from the Minister's income tax package by €174 a year.

**Deputy Eric Byrne:** Is that not good news? Would the Deputy rather we took it off them?

**Deputy Michael McGrath:** The same individual will of course now be facing water charges of €200, €300 or €400 - who knows?

**Deputy Arthur Spring:** They are your water charges.

**Deputy Michael McGrath:** That individual is certainly worse off as a result of this budget.

*(Interruptions).*

**An Ceann Comhairle:** I asked for silence when the Minister was making his contribution. I now ask for silence for the Opposition Deputies. We live in a democracy, in case anyone has forgotten it.

**Deputy Ruairí Quinn:** They will do more damage to themselves if we can hear them.

**Deputy Michael McGrath:** This is part of the problem we have, a Cheann Comhairle. The Government is completely intolerant of any criticism, of any debate about its measures. Its members believe it is invincible. I can tell them this much - it is not invincible. I am standing here on this side of the House with a mandate to represent people and to question the Government's budget. I will do so based on facts and based on fairness, so please show a little respect, not to me but to the people I represent, and listen to what I have to say.

**Deputy Michael Creed:** What about a bit of contrition?

**Deputy Michael McGrath:** The headline package in the Minister's budget is his income tax proposal. I have already mentioned that an individual earning €32,000 is better off to the tune of €174 per annum, before we even talk about water charges. In contrast, an individual earning €70,000 a year will benefit to the tune of €746 a year, which is four times greater.

Take the example of a couple on one income of less than €41,800 a year. They too will benefit by €174. That is an average couple, one of them working, the other staying at home to mind the kids, and the tax benefit the Minister is giving to them is €174 a year, which is more than wiped out by the water charges he is introducing. Let us be honest as to what this budget is really about. In contrast, for a two-income couple with both earning €70,000 a year, because the universal social charge is calculated on an individual basis, by combining the gain on USC, the expansion of the lower-rate band and the cut to the marginal rate of tax, they will be up by about €1,500 a year.

The Minister's tax proposals are very unfair, not just on low-income families but especially on families in which one parent decides to stay at home. He is not extending the low rate band by €2,000; he is extending it by just €1,000 for a couple, the same as for an individual. That is fundamentally unfair. I heard last night about an e-mail the Tánaiste sent to her Labour Party colleagues which stated that the budget would mainly benefit low- and middle-income earners, working families and vulnerable groups. We would not get that propaganda in North Korea. I honestly thought that Kim Jong-un had come out of exile to write an e-mail to the Labour Party. That is how misleading it was.

This Fine Gael-Labour Party Government has decided to fire the first shot today in its general election campaign and, in doing so, has proved it has learned nothing from the crisis we have just gone through. This is a budget straight from the book of old-school politics, a budget that is more about short-term political gain than what is right for the economy and our people. It is also a budget that exposes very clearly this Government's flawed priorities. At the first opportunity and the first sign of a recovery, the Government's priority is not to undo some of the social harm caused by six tough years of austerity-----

**Deputy John Paul Phelan:** Caused by you.

**Deputy Michael McGrath:** -----but instead to design tax cuts that disproportionately put far more money in the pockets of higher income earners. That speaks volumes about where this Government's priorities lie.

We all know the Government's first three budgets were deeply regressive, hitting low- and middle-income families the hardest and letting off the highest income earners in the country virtually scot free. When the Government cut the respite care grant, cut supports for special needs children and abolished the telephone allowance, no corresponding sacrifice was required by those who had the most. The Government is now borrowing money to give a tax cut which will give by far and away the greatest benefit to the better off and which everyone else will have to repay with interest. That is what is happening.

**Deputy Peter Mathews:** Shame.

**Deputy Michael McGrath:** This is the first budget since the end of the EU-IMF agreement and it gives us a clear sense of the Government's lack of priorities. There is no vision of what a post-austerity Ireland will look like, no statement of our values as a people, no talk of fairness or social solidarity, and, most depressingly of all, no indication that the mistakes of the past will not be repeated.

**Deputy Gabrielle McFadden:** Whose mistakes?

**Deputy Michael McGrath:** The Government's promise of an end to boom-and-bust policies rings as hollow as the promise to abolish the prescription charge, the promise to give free GP care to all and the promise not to increase student fees. People have sacrificed too much for the recovery to be put in jeopardy. This is a Government that took medical cards from the sick, the dying and the disabled until it was shamed into giving them back. This is a Government that broke promise after promise after promise in the hope people would just stop noticing. This is a Government that promised an end to cronyism, but instead it brought it to a new level. This is a Government that delivers income tax cuts for the better-off, but it abandons the homeless and those crying out for mental health supports. This is a Government that deliberately targeted single parents, women, vulnerable elderly persons and young people out of work. This is a Government that promised us new politics. I think we all know what happened to that promise.

Prior to coming into office, Fine Gael and the Labour Party opposed every measure designed to close the budget deficit, but they now claim 100% of the credit for the job that was two thirds done for them. The simple fact is that the Government is now aiming for a deficit that is higher than it would be if it were to do nothing. The opening position for 2015 is forecasted to be a deficit of 2.4%, but the Government is planning on bringing this up to 2.7%. Staying the course has been roundly defeated by political expediency and the imperatives of the next general election.

There is something very disturbing about the way the independent Irish Fiscal Advisory Council has been treated by the Government. Anyone listening to the council's chairman, Professor John McHale, today on "Morning Ireland" would really have sat up and taken notice. It is not that I agree with everything the council has stated, but I have taken what it has stated into account in a genuine way. The Government has ignored time and again the independent advice of the council without giving an adequate explanation for so doing. The council advises on an adjustment of €2 billion, but the Government is going in the other direction to the tune of about €1 billion. The Minister can shake his head, but that is the reality. Instead the Ministers for

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Finance and Public Expenditure and Reform have launched the lifeboat to try to save as many backbench Labour Party and Fine Gael seats as possible in the next 18 months.

We in Fianna Fáil welcome the recent improvement in the economy. A recovery is taking place. The positive economic data have given people hope the pain they have endured continues to be worthwhile.

*(Interruptions).*

**Deputy Michael McGrath:** I know that the Government does not like what I am saying, which is why Government Deputies are heckling and trying to drown out what I am saying. Both Ministers were afforded a lot of respect by the Opposition, but Government Deputies are not affording us the same respect.

The economic upturn has happened very quickly. Last year there was hardly any economic growth and the situation was the same the previous year; therefore, we make no apologies for urging a degree of caution. In our view, it is time to take a deep breath, secure the recovery, assess the real risks, particularly external risks, that the country still faces and address gaps in vital public services which have opened up in recent years. If there are spare resources, they need to be targeted at those who really need them and those who have borne the brunt of budget cutbacks in recent times. Up to a few weeks ago the Government was predicting modest growth of 2% this year. Now, a raft of positive economic data not foreseen by the Government has emerged in very quick succession, which has resulted in the prediction that the economy will grow by about 5%. In our view, we will be in a much better position and have a much clearer set of data in about 12 months time on the real state of the economy, the public finances and the international outlook. I think the Minister for Finance knows this, but, of course, the imperatives of electoral politics have kicked in or, as one anonymous Minister put it in a weekend newspaper, “we may not get another budget.” In other words, this is the budget in which to spend the money to try to save as many seats as possible.

We in Fianna Fáil are taking a different approach. For the first time in decades, because the Government did not do so in opposition, there is an Opposition party that is prepared to stand back and show the courage to advocate responsible rather than popular politics which the Government is promoting. In opposition Fine Gael and the Labour Party were cheerleaders for cutting taxes and raising spending. In fact, they were insatiable in their demands during the Celtic tiger years. Fianna Fáil has learned from the mistakes of the past, but the Government is about to repeat them. Auction politics was wrong in the past and it is wrong now. We need to accept that the country still faces key risks, many of them external, as I said. The eurozone economy is flagging, as the Minister well knows. The economic indicators in Germany are deteriorating rapidly. France is seeking two further years to bring its deficit into line, while serious problems are resurfacing in Greece. The historic low borrowing interest rates enjoyed by the State will not last indefinitely. The world growth forecast has been downgraded and regional conflicts always have the capacity to cause economic instability. Ireland is a small open economy which relies heavily on external trade. More than most we are at the mercy of external factors, but this does not seem to have figured too much in the Government’s considerations. That is why the recovery should have been allowed to take its first breath before starting to give away the money, which the Minister is borrowing to do.

We know some things about the recovery. It has not spread right around the country. For many, the word “recovery” is absolutely meaningless. If a person has a child with special needs

awaiting an assessment of needs or seeking access to speech and language or occupational therapy services, there is no recovery for them. If an elderly person cannot afford to pay for private health insurance and is awaiting a knee operation, there is absolutely no recovery for him or her. If a person has a loved one who is waiting to gain access to a nursing home, who is waiting four months for funding under the fair deal scheme and hanging on by his or her fingertips at home with threadbare support from the State, there is no recovery for him or her. If a person is homeless and sleeping not 200 yards from the gates of Leinster House, there is absolutely no recovery for him or her.

There are bigger questions to answer. What are we about as a people? For what do we really stand? What are our priorities? People look to the Taoiseach for a vision. Anyone listening to him in the past few months would have said his vision was to cut the marginal rate of tax, which would benefit one in six income earners. A consultant orthopaedic surgeon went on "Liveline" last week and said all seven operating theatres in the National Orthopaedic Hospital were closed because the HSE could not afford to fund hip replacement operations. Is that the country in which we are living today and all the while, waiting lists spiral and the Government's top priority is to cut the marginal rate of tax? It says a lot about the choices the Government has made and in time the people will see through these choices because they have an innate decency which we saw in the medical cards fiasco in the past couple of years. We even saw it in the people who were not affected by what the Government had done - the unintended consequence of including €113 million in its budget for medical card savings, which resulted in people losing medical cards, which the Government stated was never meant to happen. Even though they were not affected, it hit people hard and that is what they will see in the choices the Government has made.

That is why we as a party have stated extra resources should be made available in areas in which a real difference can be made at this time. Among others, they include improving access to child care, particularly for those looking to access work; building on the free preschool year introduced by Fianna Fáil; reducing class sizes for children which we know results in better educational outcomes and which is the best long-term investment we can make in the country and the economy; prioritising the issues of mental health and suicide awareness; looking after vulnerable people who are older and need supports; and increasing mortgage interest relief for those who are drowning under the burden imposed by high mortgages, particularly those on variable interest rates. Deputy Seán Fleming will speak about a number of these areas in more detail.

A few weeks ago the Minister gave the Government all the credit for the recovery. The truth is that apportioning credit for a recovery that most people do not see is of little consequence. It says more about the insecurity of the Government than anything else. The economic progress which has been made can be attributed to a number of factors, not least of which is the reduction in the budget deficit - a process which, as the Minister well knows, started back in 2008. It is a fact he may not welcome, but it is a fact nonetheless that in government Fianna Fáil and the Minister's predecessor, the late Brian Lenihan, introduced two thirds of the budget adjustment that has been central to our recovery. Above all else, the sacrifices of the people have brought us to the point where there is clear light at the end of the tunnel, to which the Minister for Public Expenditure and Reform alluded.

*4 o'clock*

As we know, in recent times the Government tried to dampen down the very expectations

it had built up in respect of income tax. If one looks through the budget booklet which gives examples of Joe and Mary, Michael and Teresa to show how they will be affected by the budget, one will see that there is one very obvious omission. When the Christmas tree is still standing in the corner of the sitting room, the first bill for water charges will arrive through the door. The Minister will claim that is not a budgetary matter but the reality for people watching at home is that it is a budgetary issue.

**Deputy Mattie McGrath:** A big one.

**Deputy Michael McGrath:** When they are trying to balance the books on their household budgets, it is an issue which they have to take into account. The Minister established Irish Water and approved expenditure of €180 million in setting it up, as well as a further €500 million for installing meters before a pipe is fixed around the country. He gave the Commission for Energy Regulation its instructions on water charges. The tables published at the back of the Budget Statement are meaningless. They might be meaningful to the Minister or the officials who prepared them but these bills will be arriving through the door in January and, as I have outlined, many people will be out of pocket, especially individuals on low incomes who will benefit to the tune of €174 and who, even net of the tax relief the Minister proposes to give them on water charges, will be paying at least €200 or €300. They are worse off as a result of a budget which we were told was designed to help them. How did the Minister manage to achieve that? He spent €1 billion which he had to borrow because he did not have it, yet the very people he is trying to help are worse off. A couple with one working spouse who earns €40,000 will be worse off as a result of this budget. That is an extraordinary achievement. Others will be better off, and the analysis will emerge in the fullness of time, but the Government has singularly failed in its stated objective of lifting the burden on people who were feeling it the most and, once again, it has failed the test of fairness.

Does it not say something about the Government that when it is taking money off people, it takes no account of ability to pay? When it took money out of pay packets, such as through the abolition of the PRSI exemption, it took €264 from everyone regardless of whether they were earning €20,000 or €200,000 per year. However, when it is time to give something back it does not give everyone the same amounts. It does not look after the person working on the minimum wage or the family struggling on €35,000 or €40,000 per year, who are above the social welfare eligibility thresholds for supplementary welfare, family income supplement, rent supplement or medical cards. They get none of those, and they are worse off as a result of this budget.

We all accept that the marginal rate of tax is high. The Minister would have been better off if he had increased tax credits because they would have benefited everybody equally. Instead, he has decided on a mishmash approach. He is reducing the marginal rate of tax up to €70,000. We were told this is a big issue for inward investment and that when the Minister for Jobs, Enterprise and Innovation goes to New York to attract the big executives, they are worried about the marginal rate of tax. I do not think they are earning less than €70,000. It was about getting the headlines and fulfilling the commitment to reduce the marginal rate of tax rather than using the tax system to redistribute resources and introduce equity to the system.

This brings me to the issue of budgetary reform. When Fine Gael and the Labour Party were in opposition, they were going to do the devil and all on budgetary reform. We were going to have open debates in this House and in committees about the options and take a more mature approach to deciding on the budget of the country. The days of the big bang announcements on budget day were to be gone. The truth is so different. The process of introducing the budget is

more secretive now than at any time in the history of the State, with fewer people involved in making decisions than ever before. We are told that the Minister, Deputy Noonan, brought the tax package before the Cabinet this morning.

**Deputy Billy Kelleher:** And an abacus.

**Deputy Michael McGrath:** A fundamental pillar of the budget was rubber stamped, with no scope for changes, by the Cabinet on the very day of the budget.

**Deputy Jerry Buttimer:** Charlie McCreevy never told anybody about his budgets.

**Deputy Brendan Howlin:** Fianna Fáil phoned the Greens at home and got them out of bed.

**Deputy Michael McGrath:** I would not put up with that if I was the Minister's Cabinet colleague. Never has so much power been concentrated in the hands of so few. It makes a mockery of the constitutional principle of collective Cabinet responsibility. This is not a mature way of framing the budget, whereby even those who are meant to be making the decision are kept in the dark until the last minute.

I have already said that the recovery is real and that we warmly welcome it but the Minister failed to mention in his speech that he has had some luck along the way. I refer to the European statistical standards. It is worth explaining to people the difference they have made. They have increased the level of Irish GDP by more than €10 billion last July, when the announcement was made that the economy had grown by 6.5% overnight because of the inclusion of illicit activities and a number of other areas. That did not affect growth rates because the previous years' GDP was also changed but it mattered in regard to the percentage deficit. While the cash deficit remained unchanged, it is now being expressed as a percentage of a much higher GDP figure. The result was that the deficit at the end of last year was recalculated from 7.2% to 5.7%, bringing us a lot closer to the 3% limit. The Minister got lucky with this technical reclassification, which could just as easily have gone the other way. Given that it bounced in our favour on this occasion, it made a difference of €2.7 billion in respect of tax increases and spending cuts which he did not have to introduce. That is positive but we got lucky, even if he will not admit it.

On corporation tax, I hope the Irish football team in Gelsenkirchen show a lot more resistance to German pressure tonight than the Minister did in regard to corporation tax. We all know that he was under intense pressure from his colleagues in Germany, the European Commission and the OECD. I am sure it was uncomfortable to attend ECOFIN and euro group meetings over the last several months but he has decided to pre-empt the process. He made a number of positive changes to the intellectual property regime and in other areas, which I welcome, but anything that introduces uncertainty in regard to Ireland's corporation tax regime is risky.

**Deputy Michael Noonan:** There is no uncertainty.

**Deputy Michael McGrath:** I know it is a touchy subject and that he is nervous about this announcement. In respect of our offerings to those who are looking to invest in Ireland, corporation tax is a vital tool. He stood over the 12.5% rate, which our party has long supported, and we welcome his statement in that regard. However, this is not some theoretical debate about tax planning or the morality of multinational companies. It should come as no surprise to us that multinational companies will employ the best tax practitioners in the world in their efforts to minimise their global corporation tax liabilities. Two years ago, the Minister told this House that the double Irish had nothing to do with Irish law and it must be something to do

with other jurisdictions and US law. I have his exact comment but I will not waste my limited time reading it out. He has made a change which affects the offering that Ireland is making in respect of corporation tax. I worry about that because it introduces uncertainty. Let there be no mistake; this is a debate about jobs and investment. Other countries will not be satisfied with the change that he has made. He pre-empted the BEPS process before it concluded. We have had an interim report but no final report. The Dutch, who are also under the spotlight from the EU, have announced that they will not make changes until the process is complete. I am all for improving the global corporation tax regime to make it more transparent and reconstructing it so that multinational companies pay more tax but this must be done on the basis that every country moves in tandem. That is not happening.

The Minister spoke about a new intellectual property regime which will have to go to the European Commission. Two years ago he sent a much more modest proposal on the living cities initiative to the European Commission but he is still awaiting a decision on it. That will give no comfort to multinationals considering investments in Ireland. What he has done is a mistake and the certainty we have built around our corporation tax offering is beginning to crumble. When multinationals are deciding where to invest, they see the UK stepping up its game by introducing a patent box irrespective of what Europe says, bringing down its headline rate and streamlining the way in which foreign profits are taxed. Then they look at Ireland shivering under the pressure from Europe and others, and making a change before there is international consent on the direction that should be taken.

**Deputy Mattie McGrath:** Your knees are buckling.

**Deputy Michael McGrath:** That is a mistake. We should do it in step with other countries but the Minister has chosen otherwise.

The improvement in the employment situation is very welcome. I agree with the Minister that the people who suffered the most in the economic collapse were those who lost their jobs. We all want to see further jobs created in the economy. While progress has been made, the real issue now in terms of job creation is tackling the stubbornly high number of people who are long-term unemployed. The real bottleneck in the jobs system is the 180,000 on the live register for one year or more. The Government pays a great deal of lip service to the idea of supporting SMEs, but it has done precious little to help them in practical terms. If one travels outside Dublin, one sees that towns and villages across the country are dying on their feet.

**Deputy Mattie McGrath:** Everywhere.

**Deputy Michael McGrath:** It is because small businesses cannot survive. The SMEs the Minister says are the lifeblood of the economy cannot survive as they are under immense pressure. Small businesses are closing, young people are leaving rural areas and job opportunities are few and far between. We are developing a very lop-sided country with population and employment being pulled into the Dublin area with each passing day. That is not good for people living in Dublin as it creates pressures in property prices, the cost of renting and other issues. It is killing rural Ireland. The imbalance between the greater Dublin area and the rest of the country must be discussed and acted on. That is the kind of issue I highlight in relation to vision which the Minister should be articulating but we are not hearing.

Supporting small business has always been a core value of our party, which is why we have proposed a number of innovative measures to make a real difference, including a special 15%

CGT rate for entrepreneurs, enhancing the employment and investment scheme to make it more attractive and allowing the new Strategic Banking Corporation of Ireland to lend directly to SMEs. We propose to reform the local authority rates system to link it with the current performance of business, provide the self-employed with a voluntary opt-in scheme to provide them with greater PRSI benefits, tackle the excessive bureaucracy and red tape with which businesses have to deal, make the procurement system more user-friendly and accessible to SMEs and reform the tax system to make self-employment more attractive, especially for those at lower levels of income.

**Deputy Mattie McGrath:** And restrain Revenue.

**Deputy Michael McGrath:** The Minister seems to believe the banking system in Ireland has been repaired, but I beg to differ. I use a very simple measure. Today, a young couple seeking to take out a mortgage for the first time will invariably pay an interest rate of 4.25% to 4.5%. A similar couple in the eurozone will typically pay a rate of approximately 2.5% for that mortgage. The same story applies to SMEs which are paying far above the odds to borrow here than in other member states. The ECB has been reducing interest rates, but the Irish economy has not benefited to the extent that it should from these rate cuts because the banks have not passed them on to people on variable products, be they SMEs, personal borrowers or mortgage holders. It is an issue that must be dealt with.

I would love to go into the issue of mortgages, but I lost time while being heckled. I will not eat into the time of my colleague, Deputy Sean Fleming.

It is welcome that the Minister is finally abolishing the pension levy at the end of next year, having already broken his promise. It was to be gone at the end of this year. I said in 2011 when the Minister introduced it that I did not think it would end in 2014. Instead of ending it, he increased it to 0.75% and is retaining it next year at 0.15%. All of the deferred members of the Irish aviation superannuation pension scheme are contacting Members of the House. They are facing a 60% cut in their benefits.

**Deputy Peter Mathews:** Shame.

**Deputy Michael McGrath:** When they asked what the Government's policy was, its response was to put its hand into that pension fund and take more money out. The Government has taken €2.2 billion out of the private pensions savings of citizens, which is a scandal. It was legal theft and should never have happened. I am glad that the Minister is finally coming to his senses and will end it.

**Deputy Brendan Howlin:** Fianna Fáil is against the measures for tourism.

**Deputy Billy Kelleher:** Deputy Brendan Howlin was against water charges.

**Deputy Michael Ring:** The Deputy does not want the 9% VAT rate.

**An Leas-Cheann Comhairle:** Deputy Michael McGrath is over time.

**Deputy Michael McGrath:** The budget is motivated by electoral strategy. It is introduced by a Government hoping people will forget the way it targeted low and middle income families and how the most vulnerable bore the brunt of the budget adjustment in recent years. It is a budget from a Government that spoke about a democratic revolution and promised ambitious political reform but which has, instead, been the least accountable in the history of the State. It

comes from a Government that is clearly motivated by the short term, even if it risks the sustainable recovery of the economy. The words of Tallyrand speaking about the restored Bourbon dynasty after the abdication of Napoleon spring to mind.

**Deputy Brendan Howlin:** Spring.

**Deputy Michael McGrath:** “They had learned nothing and forgotten nothing.” Now, we hand it over to the people to pass their judgment.

**Deputy Sean Fleming:** I thank my colleague, Deputy Michael McGrath, for opening Fianna Fáil’s response to the budget. The budget is all about making choices. In the past three years we have seen three regressive budgets which cut expenditure on essential public services and the incomes of those who could least afford it. We on this side of the House welcome the improvement in the economy and the Government’s finances, but these improvements are not being shared equally in society. Many have seen no improvement in their situation and are still coping with serious reductions in their incomes and the public services on which they rely. On the other hand, some see a significant improvement in their financial situation.

Today presents an opportunity to bring forward a socially balanced budget. For the first time in a number of years, there are available resources. These resources should be allocated to those who need services most. We need to reinvest in health, education, child care, social housing and getting people back to work. This would help to build a fairer and more caring society. We in Fianna Fáil have learned lessons in recent years and the public has, too. There must be no return to auction politics, but anyone looking in today can see the Government has learned nothing from the past. Despite its agenda of political reform, it is heading in the opposite direction. There has been an unexpected surge in economic growth in recent months, but we must not blow it all immediately. We must see growth fully bedded in before we start to offer tax cuts to those on the highest incomes in order to buy their votes in the next general election.

Everyone will understandably welcome a cash improvement in the budget, but I caution that it is only half the picture. The Government is giving with one hand and taking back with the other. The new water tax which came into effect on 1 October and for which the bills will arrive early in the new year will cancel out any of the sweeteners announced by the Government today. When people weigh up the full picture, they will find that most will be no better off next year. It is worth remembering that Ireland will run a deficit next year of the order of almost €6 billion. The Government is borrowing money to give it away today. Surely, we have learned that the money we borrow today must be paid back with interest which will leave less money for resources for essential services in the years to come. I look at the document produced by the Government today and it tells us that the opening Government debt - it is listed at C60 for anyone who wants to look - at the beginning of 2015 will be €203 billion. The opening Government debt at the beginning of 2016 will be €210 billion. The opening Government debt at the beginning of 2017 will be €212 billion and the opening Government debt at the beginning of 2018 will be €215 billion. The Government predicts in the next four years an increase in the Government debt of €12 billion but is offering tax cuts today, even though we will have to borrow to finance them.

**Deputy Brendan Howlin:** We are growing the economy.

**Deputy Sean Fleming:** The Government’s actions today are creating a divided society. The gap between the haves and the have-nots is widening. Fianna Fáil could have chosen in its bud-

get proposal to cut the top rate of income tax for the highest income earners, but it did not. We believe resources should, in the first instance, be directed to improve services for citizens and the quality of life of all. There are many waiting for services for unacceptable periods. People cannot get hospital appointments, yet the Government's response is to give a tax cut to high earners. Children are in overcrowded classrooms, but the Government's response is to give tax cuts to high earners. Critically ill people are waiting for medical cards, but the Government's response is to give tax cuts to high earners. We need a programme for suicide prevention but the Government's response is to give tax cuts to the high earners.

**Deputy Brendan Howlin:** We have given €2 million for suicide prevention.

**Deputy Sean Fleming:** People are homeless, sleeping in doorways not 100 yd. from this building but the Government's response is to give tax cuts to the high earners. People cannot afford the new water tax but the Government's response is to give tax cuts to the high earners.

**Deputy Áine Collins:** They are water charges not a tax.

**Deputy Sean Fleming:** I know the Government feels we should all be aboard the train leaving the station. In its haste, however, it is leaving many people stranded on the platform. Will the Government consider the effects it is having on society?

A key aspect of the budget's proposals is to rebuild our health services. It is not sufficient to just stand still in the delivery of our health services. Nurses, doctors and other front-line staff are under enormous pressure. The Department of Health projects a deficit in the Health Service Executive, HSE, this year of €500 million and will again need a supplementary Estimate in a month or two. There is no surprise that the 2014 health budget was completely bogus with the agencies in charge of delivering it looking for verification of the figures after they were announced in the Dáil on budget day. In view of this recent experience, we have to be sceptical when presented with another health budget today. Personalities might have changed in the Department but little else has. We want proof the health budget will be able to meet the HSE's service plan.

I have examined the Minister's plans in the comprehensive expenditure review since it was released an hour ago. The hole in today's budget is in the health Estimate. Last year's health Estimate was €12.7 billion while in 2015 it will be €13.079 billion. The health Estimate for 2016 is €13.253 billion and for 2017, €13.29 billion. That represents a 1.6% increase over three years, 0.5% per annum. How can anyone think the health services can be corrected with a 0.5% increase per annum? It is bad enough the Government did it for this and next year but worse to say it will do it again in 2016 and 2017 if it is re-elected.

**Deputy Micheál Martin:** Sacrificed again. Excluded again.

**Deputy Mattie McGrath:** People are waiting five years for services.

**Deputy Barry Cowen:** At least the former Minister, Deputy Reilly, put up a fight. Where is the new Minister, Deputy Varadkar, now?

**Deputy Sean Fleming:** I refer to page 80 of today's document where, in microscopic print - one would need to go to Specsavers to be able to read it - is stated:

In addition to the figures provided, the Department of Health is progressing a range of savings measures, €130 million and income generation measures, €330 million, estimated

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to have the potential to support expenditure in 2015. Further detail will be provided in the Revised Estimates Volume [sometime in the new year].

**Deputy Brendan Howlin:** It will be through revenue generation.

**Deputy Sean Fleming:** There is €460 million of a black hole and the Minister will not tell us today how it will be fixed. He claims he will increase income generation capacity of the HSE for €330 million with another expenditure cut of €130 million.

**Deputy Barry Cowen:** Are charges for accident and emergency services going to go up another €100?

**Deputy Sean Fleming:** He came in last year with an expenditure cut of €113 million for his bogus medical card probity. We saw where that got him. It was a shambles. Has he learned nothing?

How will these unspecified savings be achieved?

**Deputy Brendan Howlin:** The Minister will outline them later this evening

**Deputy Sean Fleming:** The review states, “To do so will involve commitment to ongoing reform and efficiency measures and reprioritisation of expenditure as appropriate.” That means cancel and cut projects.

**Deputy Barry Cowen:** That means savings and expenditure. Is that any more or less?

**Deputy Sean Fleming:** Why will he not tell us today what is in the Estimate?

**Deputy Brendan Howlin:** The Deputy is clutching at straws.

**Deputy Barry Cowen:** No, the Minister is. At least Reilly put up a fight.

**Deputy Sean Fleming:** Why do we have to wait for a couple of months for the specific figures to come out? Will the €330 million be made up of additional accident and emergency department charges?

**Deputy Brendan Howlin:** No.

**Deputy Barry Cowen:** Is it prescription charges? Is the Government upping them again?

**Deputy Sean Fleming:** Will it be new prescription charges in the HSE annual service plan?

**Deputy Brendan Howlin:** No.

**Deputy Sean Fleming:** Will it be a charge for waiting on a hospital trolley in an accident and emergency unit?

**Deputy Brendan Howlin:** No.

**Deputy Sean Fleming:** That is what it will be. When one goes into hospital from now on, one will be asked for one's private health insurance number. Then one will be told one can have either the trolley or the chair but will still pay €400 a day because one has private health insurance.

**Deputy Brendan Howlin:** Deputy Sean Fleming would be better off down at the Gaiety.

**Deputy Sean Fleming:** Where else is the Government getting the extra €330 million in income generation? I know where some of it comes from. The Government promised free-GP care for the under-sixes last year.

**Deputy Mattie McGrath:** Yet there are no GPs in rural Ireland.

**Deputy Sean Fleming:** It did not happen but still the Government had to get a Supplementary Estimate to balance the books. We saw the hint of it the other day. The new Minister for Health has said there might be a nominal fee for the free-GP card. How much will this nominal fee be? Those are the Minister's words, not mine.

**Deputy Brendan Howlin:** There is no substance to the Deputy's speech.

**Deputy Sean Fleming:** The Minister talks about an increase in expenditure for health by 0.5% for the next three years, which includes €460 million in that to be achieved from income generation, but will not tell us the specifics. We had a black hole in last year's health budget on budget day. The HSE blew it out of the water in 24 hours.

**Deputy Mattie McGrath:** The then Minister, Deputy James Reilly, fell in.

**Deputy Sean Fleming:** Of course, the Minister has probably ensured there is nothing on file that can come under freedom of information for the coming year. We do know from the Government's figures that there is a black hole of €460 million in the health Estimates. The Minister claims the specific figures will be provided later in the Revised Estimates. We need to know today what is happening for next year, not in a couple of months time. The Minister failed to grapple with the black hole in the health budget with the former Minister. The new Minister for Health has got the best of the Minister as well. We will be back in here next year with a Supplementary Estimate for health, like we have done with every other budget the Government has introduced. Not one health Estimate that has stood the test of 12 months has been brought in since the Minister came into office. Next July, we will hear again about an overrun in the health budget.

**Deputy Brendan Howlin:** Not at all. What about the previous ten years under Fianna Fáil?

**Deputy Niall Collins:** Does that make it right? That makes you a hypocrite.

**Deputy Sean Fleming:** Why does he bring in an Estimate year in, year out that he cannot stand over? He has never presented an accurate health Estimate and this year is no different. I have just presented some figures I have gleaned in an hour. That is just the tip of the iceberg. The Minister has not provided us with any further information. The €460 million black hole will have to be found-----

**Deputy Brendan Howlin:** The Deputy just made that up.

**Deputy Timmy Dooley:** That is exactly what the Government has done.

**Deputy Sean Fleming:** -----but, of course, the Minister will magic it away with growth.

**Deputy Barry Cowen:** The Minister better make something up soon.

**Deputy Sean Fleming:** I must leave party politics aside because matters are too serious in

the health services. Essential health services need to be looked after. Nowhere is this truer than in the crucial issue of suicide prevention. Suicide remains the nation's silent killer. There is not one community, not to mind one family, that has not been affected by suicide. There is nothing in this expenditure review to help suicide victims. Suicide is particularly hard on young men. There are ten suicides a week on the Minister's watch but he does nothing about it. The situation is getting worse. Most of those affected are young males in the 15 to 19 year group. Some of the Government's measures have specifically contributed to the prevalence of suicide and homelessness. Young people, especially males, leave school not knowing their worth or place in society. The Government took away their guidance counsellors in school, leaving many unprepared for the outside world. Then the Government cut their jobseeker's allowance from €188 a week to €100. The Government's local authorities then refused to let them on housing lists, telling them there was room in their parents' attics. When they had to leave their parents' houses, the Government would not give them rent supplement. No wonder there are homelessness and addiction issues. There is nothing in this budget dealing with the suicide issue.

Suicide prevention services are totally stretched. Up to 40% of people who committed suicide were in touch with the National Office for Suicide Prevention seeking help. Tax cuts for the rich are the Minister's answer to the suicide problem. Shame on the Government.

Speech and language therapy services have been cut back, affecting young people in their formative years.

**Deputy Áine Collins:** No, they have not been cut back.

**Deputy Sean Fleming:** The Government has cut back on speech and language therapy services for elderly people who have had a stroke and need occupational therapists to get back on their feet. I mentioned the medical card fiasco, which is rumbling on, and last year's figure. Today, a constituent told me about an appeal with the office in Ballyshannon that had been submitted ten months ago. That person had a discretionary medical card and is appealing the matter.

**Deputy Mattie McGrath:** Cá bhfuil an tAire?

**Deputy Sean Fleming:** It probably took two or three months to deal with the original application. We were used to these extended delays with social welfare payments, but it is a new procedure to have it in the appeals office for the unit within the HSE dealing with medical cards. The Taoiseach is the only one in the Chamber on the Government side at this stage.

**Deputy Mattie McGrath:** Where is the Minister?

**Deputy Sean Fleming:** I want to move on to housing and the increase in social housing in the past six years. Some 90,000 families are on housing lists.

**Deputy Mattie McGrath:** On a point of order, where is the Minister? This is pure arrogance on the part of the Government.

**Deputy Sean Fleming:** Perhaps the Taoiseach might be good enough to tell us where the two Ministers are. I suspect they have gone off to talk to the media to give a full briefing that was withheld from the Oireachtas. I would love to know where they are. There will be details from the press conference on "Six One".

**The Taoiseach:** They are broadcasting to the nation at the moment.

**Deputy Timmy Dooley:** It is an insult.

**Deputy Barry Cowen:** It was never done before.

**The Taoiseach:** It was done when the Deputy's brother was here.

**Deputy Sean Fleming:** On a point of order, I ask for a commitment in advance of the budget to be announced next year that the two Ministers will sit here to have the courtesy of listening to what the Opposition has to say. If it cannot be delivered, there is a question about whether they should be delivering the script to the national media. The House is the place in which to deliver it and listen to the response.

**An Leas-Cheann Comhairle:** The Deputy has made his point.

**Deputy Sean Fleming:** It is on two channels, but there is a disregard for the entire democratic process as the budget is the subject of the biggest statement of the year. Ministers feel they can ad lib, walk away and not listen to what is going on.

**Deputy Barry Cowen:** It is bad form.

**Deputy Sean Fleming:** With regard to housing, the proposed Central Bank changes to mortgage requirements will compound the problems for young people. Home ownership will be concentrated in fewer hands and the majority will have to pay increased rents.

I refer to the section of the Minister's statement that refers to a figure of €2.2 billion for social housing provision in the next three years. The Minister is going to provide some of it between now and 2017 and then give €300 million to a public-private partnership that has yet to be established or dreamed up. Why not take the direct route and do it through the capital expenditure programme? The Minister is looking to do some of it through an off-balance sheet vehicle which will provide at least €400 million from 2015 onwards for approved housing agencies. The Government is more interested in off-balance sheet financing mechanisms to deal with critical social problems than dealing with social problems. If it was determined to deal with the housing issue, it would not have to run around the houses for off-balance sheet mechanisms and public private partnerships. Since the foundation of the State, the country has been able to build social housing. Are we now outsourcing the task to off-balance sheet elements such as Irish Water, semi-State companies, special purpose vehicles and public private partnerships? The housing programme should not be outsourced to the profiteering end of finance.

**Deputy Mattie McGrath:** Pass the parcel.

**Deputy Sean Fleming:** I do not believe any of the figures because NAMA was told to provide houses for local authorities. It offered 4,000 houses, 2,000 of which were rejected by local authorities. I bet it will be able to sell them comfortably through private sales, but there will be no protection for the taxpayer. Local authorities did not take up these houses. Of the 2,000 houses accepted, only 700 have been taken up. I do not believe the commitment of the Government to social housing because we would not have this level of homelessness if we were serious about it.

**Deputy Mattie McGrath:** The landed gentry.

**Deputy Sean Fleming:** I am sorry the Minister is not here because I could say a lot about homelessness. Instead, I will give way to Fr. Peter McVerry who spoke at a conference last

Friday attended by the Minister for Public Expenditure and Reform. He captured it well when he said:

I'm absolutely dismayed at idea that the tax cuts are going to be at the top rate of tax. [...] Because basically it's not helping people at the lower end of the wage scale. The problem of people sleeping on the street could be solved by Christmas.

This is a man we all know and respect and he is capable of dealing with the issue. If he is saying this, what is the response of the Government? We will have public private partnerships, off-balance sheet finance vehicles and special purpose vehicles in 2017. Giving Fr. Peter McVerry and other organisations the money, with the Government getting out of the way with its special funding measures in 2017, would solve the problem in a few months.

**The Taoiseach:** The Deputy should remember what he did with the construction sector.

**Deputy Sean Fleming:** We know that the Government is trying to wash its hands of the debacle of water charges, but no amount of washing of hands and hand wringing will get it out of this hole. Households with two adult children will have bills of €482 per annum. The funds in the first two years will go to the more than 500 staff in the super quango which is consuming €180 million in set-up costs, as well as the cost of installing meters. All revenue from domestic water customers for the first two years will go to meet the set-up costs of the super quango. The Government proposed to abolish quangos in its last election manifesto. Not only did it not honour its promise, it did so with knobs on by creating the biggest quango in living memory in setting up Irish Water. Today's measures are hit and miss. There are measures to help people on social welfare payments and those in receipt of the household benefits package or fuel allowance. There is also a measure for tax credits, for which I have looked at the figures on offer. There is not a bob in the kitty for anyone getting a tax credit next year because it must be claimed one year in arrears. In 2017 or 2018 some might be lucky to get something back.

One group has been missed and I will quote the figures of the Minister for Finance in the booklet. He says some 880,700 income earners are exempt from income tax because they are below the threshold to pay tax because they are covered by tax credits. They will not get the benefit of what is on offer to those on social welfare and will not be in the situation where they can receive a tax rebate the next year. Some 880,700 families will not be able to avail of it because they are not in receipt of social welfare payments or in the tax bands. They are the low paid, hard-pressed families who have been ignored again. The Tánaiste, who has left the Chamber, tried to send a text message saying she was interested in low paid families. These are low paid families and the only group excluded. There are 1.6 million households in Ireland and the Government is giving something to a couple of hundred thousand families on social protection payments and those in receipt of tax credits, but half of the households of Ireland are not in the income tax bands because they are on salaries of €20,000 or €30,000. The tax credit for the family means that they are not in the tax bracket and there is nothing for low income families. Shame on the Government and no amount of messing will solve the problem.

On overcrowded classrooms and the Vote for the Department of Education and Skills, every one of us has been in classrooms with up to 33 children. As a first step, we proposed a reduction in the pupil-teacher ratio in primary schools from 28 to 27, commencing next year. This would reduce class sizes, which everyone understands. However, the Government talks about meeting demographic demands, which is all about staying still. It is telling children in classrooms of up to 34 that they must stay there while well-off parents in the community receive a tax cut.

That is the answer of the Government to everything. The Minister has done nothing for small schools in rural areas and about the cuts to class sizes in these areas.

I will move on to the issue of social inclusion. I welcome that people returning to work will be able to retain a child dependant allowance, as exists on social welfare. The issue was an employment wedge.

Other young people who wish to enter the labour market are apprentices, and there is now a record low number of these in the country at 7,000. There should be 30,000 or 40,000 people in apprenticeships. Last year, the Government introduced a measure whereby apprentices on approximately €200 per week-----

**Deputy Mattie McGrath:** They have to pay.

**Deputy Sean Fleming:** They have to pay €900 for a ten-week break in going to the institutes of technology to do the education part of the course. The Government took half the money it gave to these apprentices in order to repay third level fees. That is in line with the Government's actions in increasing third level fees, which it is continuing. It is very difficult for people in this position.

I will deal with the issues of State asset sales and helping Irish business. The Government has discussed a yield of approximately €2 billion or €3 billion from the sale of State assets over the past couple of years. Last Thursday in the Dáil, the Minister for Public Expenditure and Reform confirmed receipt of €150 million from Bord Gáis Energy and €197 million from the ESB; taken in conjunction with the €405 million mentioned from the privatisation of the national lottery licence, the Government will have received €752 million from the sale of State assets in the past 12 months. The biggest portion of this was the sale of the national lottery licence, which was to be ring-fenced for the proposed national children's hospital. The Minister confirmed that much of the proceeds from the sale of State assets has gone to a range of projects, including the resurfacing of regional roads and footpaths, the preparation of public-private partnerships for roads and education projects, energy efficiency works in local authority housing, social housing and tourism-related work. This begs the question that when work starts on the new children's hospital during the lifetime of the next Government, where will the supposedly ring-fenced funding be?

The Minister seems to be intent on using the proceeds on the sale of State assets for various pet projects around the country. He also confirmed that the sale of Bord Gáis Éireann realised over €1 billion but he is only taking in €150 million today. The timing of the receipt of the other €900 million is to be decided by the Government. This begs the question of whether money is being held to be brought into Government coffers for a series of further pet projects in order to buy votes in the approach to the general election. Naïve as I am, I thought-----

**Deputy Mattie McGrath:** It is a slush fund.

**Deputy Sean Fleming:** -----the era of auction politics was over. It now appears the Government is buying people's votes with the proceeds of the sale of the family silver. It is central to the Government's policy.

I raised the next matter directly with the Taoiseach two years ago, when I asked him about the Construction Contracts Act 2013. It was passed by the Oireachtas in summer 2013, having been brought forward by Senator Feargal Quinn. It was signed into law on 29 July 2013 by the

President. Exactly two years ago, when the Taoiseach sat across from me and the other Ministers had disappeared, I asked him to ensure the legislation would be activated. He told me he would do so but two years on, he has not followed through. I have given up on the Minister for Public Expenditure and Reform, Deputy Howlin; the Minister of State, Deputy Harris; and a former Minister of State, Deputy Hayes, who have been responsible for this. Will the Taoiseach please resolve the internal wrangling with this issue and commence this legislation forthwith?

We want to help Irish businesses. The Office of Government Procurement has indicated that the average amount of tenders won by companies within a state within the EU for government-funded tenders is 98.6%, with Ireland at just over 95%. Within EU procurement guidelines, it is possible to dramatically improve that figure. We need to tender in a smart and clever way, as other countries do so in order to ensure their companies get a contract. We must learn from them. This may surprise the Taoiseach, although it should embarrass him. The Minister, Deputy Howlin, indicated during Question Time last Thursday when I asked why so many procurement contracts are given outside the State that “the vast majority of public procurement opportunities in Ireland are advertised in English, which makes it easier for our tender documents to be accessible to businesses across Europe, for which English is a preferred second language.”

**Deputy Mattie McGrath:** What about Irish-owned companies?

**Deputy Sean Fleming:** If the Germans, French, Italians and Spanish can find a way to avoid having people in every other country easily reading tender documents, I ask the Government to adjust the process to the advantage of domestic businesses. This is being done within EU procurement rules. I ask the Minister to get a little bit more clever about this. He should do as the Germans, French, Italians, Spanish and every country does for 98.6% of government contracts. We should not be left behind. The Taoiseach knows we have a procurement budget each year of €12 billion, with €9 billion in current expenditure and €3 billion in capital expenditure. For every 1% we can increase this over 95%, it is an additional €120 million staying in the country and not going to foreign companies. The issue must be tackled if we are serious about keeping jobs at home. This is a budget for the rich and those who have; those who have not are being left out.

**Deputy Mattie McGrath:** That is no surprise.

**Deputy Micheál Martin:** On a point of order, I will make a serious point. I have been here a long time in Leinster House and the Dáil.

**Deputy Aengus Ó Snodaigh:** Some might say it is too long.

**Deputy Micheál Martin:** I have never before witnessed the discourtesy displayed by the Government side to the Opposition on budget day.

**Deputy Mattie McGrath:** It is outrageous.

**Deputy Micheál Martin:** There is not a single Minister or Minister of State on the other side of the House.

**Deputy Mary Lou McDonald:** It is disgraceful.

**Deputy Micheál Martin:** It is a disgrace and I have not seen the likes of it before. Something should be done and at the very minimum, the Government should show respect and have a presence here when Opposition Members from all parties are commenting on the budget

presentations by the Minister for Public Expenditure and Reform and the Minister for Finance. This reveals the absolute contempt for parliamentary debate and democracy.

**The Taoiseach:** I have been sitting here very patiently.

**An Leas-Cheann Comhairle:** I must call Deputy Pearse Doherty, who has 30 minutes. I hope Members will show respect for him.

**Deputy Barry Cowen:** One of the two Ministers responsible for finance should be here.

**The Taoiseach:** I listened to both Deputies.

**Deputy Barry Cowen:** It is bad manners. It is beneath the Taoiseach.

**Deputy Pearse Doherty:** It is disrespectful but it does not surprise me that neither Minister is here to listen to the critique of the budget from Opposition parties. The Government takes the same approach with this House and parliamentary debate as it does when it stuffs State boards with personnel in order to try to have them elected to the Seanad.

**Deputy Mattie McGrath:** Send out the text messages.

**The Taoiseach:** I will give both Ministers a full report.

**Deputy Pearse Doherty:** The Government should restore some credibility to parliamentary democracy by listening to what we say.

**The Taoiseach:** They will get a full report.

**Deputy Aengus Ó Snodaigh:** The Taoiseach should listen.

**Deputy Pearse Doherty:** On Saturday, 100,000 people marched through the streets of Dublin in the largest demonstration against austerity since the crisis began. It was a march against the unjust water tax-----

**Deputy Mattie McGrath:** The texts have gone out.

**Deputy Pearse Doherty:** -----dreamed up by Fianna Fáil and eagerly implemented by Fine Gael and Labour.

**The Taoiseach:** Is the Deputy paying the charge?

**Deputy Pearse Doherty:** It was an expression of the anger that people feel against a Government without any sense of fairness. After six long years of spending cuts and tax hikes, unemployment and emigration, bank bailouts and golden handshakes, people are saying that enough is enough. Today's budget will be spun by the Government as a technical end to austerity but it will not end austerity for many ordinary people. Austerity is not simply about balancing the books, as it is the placing of the burden of the fiscal adjustment on those least able to pay. The Taoiseach is unaware of austerity because he did not have to feel it himself but it is a policy that makes ordinary hard-working people pay for the bad decisions and reckless behaviour of the few. It is deeply unfair and it does not work.

After almost four years in government, Fine Gael and Labour can no longer blame Fianna Fáil for the state of our economy or our society. Today there are 28,000 fewer young people in employment than when the Government took office. In the first six months-----

14 October 2014

**The Taoiseach:** It is the fourth time I have heard this speech.

**Deputy Pearse Doherty:** Will the Taoiseach please have some respect? I have been speaking for three minutes and the Taoiseach has been nibbling away over there. Have some respect and decency.

**An Leas-Cheann Comhairle:** We should have order for the speaker.

**Deputy Aengus Ó Snodaigh:** The Taoiseach should-----

**Deputy Pearse Doherty:** The Taoiseach might not like to hear this but there are 28,000 fewer young people employed in the State since he took office. In the first six months of the year, only 5,500 net new jobs have been created to the start of this month? It would take a long time to deal with the 374,800 people stuck on the dole.

**The Taoiseach:** There have been 75,000 new jobs created.

**Deputy Pearse Doherty:** If the Taoiseach wishes to speak, will he answer the following? Is it any wonder that over 200 people, mainly young people, continue to emigrate every single day in search of work and a better future? Seo a bhfuil déanta ag an Taoiseach, tá na figiúirí seo mar thoradh ar a chuid roghanna. Seo é oidhreacht pholasáí Fine Gael agus Páirtí an Lucht Oibre agus seo é an chúis go raibh céad míle daoine ag máirseáil trí shráideanna Bhaile Átha Cliath - le tacaíocht na gcéadta mílte duine eile nach raibh ábalta bheith ansin.

The Government today had the opportunity to demonstrate it had listened to the people. It could have introduced a budget that would have eased the burden on the majority of people, which would stimulate the domestic economy and start a renewal of our public services. Unfortunately, the Government has introduced a budget that is driven by the same policies that drove its previous budgets. It is taking the same failed approach to the recovery as it did to the recession. This is because it is wedded to the politics of privilege.

The anger on the streets of central Dublin on Saturday was matched by the results in the Dublin South-West and Roscommon-South Leitrim by-elections. A clear majority of voters in both constituencies said “No” to the austerity policies of Fianna Fáil, Fine Gael and the Labour Party.

**The Taoiseach:** They said “No” to Sinn Féin as well.

**Deputy Pearse Doherty:** It is clear that the Government has lost its mandate and that it no longer has the support of the people.

**The Taoiseach:** There is a €500 million hole in the Sinn Féin alternative to the budget. Deputy Pearse Doherty is his party’s finance spokesperson. Can he explain that?

**Deputy Pearse Doherty:** In the dying days of the previous Fianna Fáil Administration, it was clear that Deputy Martin’s party had lost touch with the people and the public mood. It was no longer able to hear what the people were saying. The current Government is worse because it has heard the voice of the people, yet it is carrying on regardless. Let me spell it out for the Taoiseach: the people are saying that the Government needs to scrap water charges and that it needs to scrap them now.

**Deputy Mary Lou McDonald:** Hear, hear.

**The Taoiseach:** Deputy Pearse Doherty will pay his water charges and Deputies Adams and McDonald will pay theirs.

*(Interruptions).*

**An Leas-Cheann Comhairle:** Order, please.

**Deputy Pearse Doherty:** The Government is not just out of touch; it is arrogantly ignoring the appeal of the vast majority of people for an ending of the burden of austerity on their families and their communities. It may seem strange to Government Deputies that this anger has spilled onto the streets and into the ballot boxes. Puzzled backbenchers are asking how this can be. The troika is gone, the economy is growing, people are back to work, the deficit is under control and the recovery has finally arrived. “Are people really that ungrateful?” and “Can they not see that things are getting better?” are the two questions Government backbenchers are asking. What they do not understand is that, unfortunately, for the vast majority of people, there has simply been no recovery.

Ó thosaigh an ghéarchéim seo, agus le trí cinn de na buiséid is míchothroime, cuireadh go leor teaghlach agus níos mó eile chun bochtanais. Agus Fine Gael agus Páirtí an Lucht Oibre i gcumhacht anois, ní hionann post a bheith ag duine agus greim a choinneáil faoin bhfiacail. One in seven working people are living at risk of poverty. One in four live in jobless households. These are the same families that the Taoiseach expects to pay water charges. Where is the recovery for the family with only €8.75 left at the end of each week when the essential bills have been paid? The plight of such families was highlighted in a recent survey by MABS. Where is the recovery for the family sleeping in a hotel room or on their parents’ couch because the rent supplement trap drove them out of their home?

**The Taoiseach:** Where is the €500 million?

**Deputy Pearse Doherty:** Where is the recovery for the family whose children will emigrate today, tomorrow and the day after? Where is the recovery for the 324 families whose loved ones are lying on hospital trolleys today? Where is the recovery for the non-verbal child waiting for speech and language therapy today, tomorrow and all of next year?

**The Taoiseach:** Where is the €500 million?

*(Interruptions).*

**Deputy Pearse Doherty:** Like everyone else, I desperately want to see a recovery. However, a recovery is more than GDP statistics or marginal reductions in the live register. That is the point that the Government is missing. If it is to mean anything at all, a real recovery must mean that people’s lives improve, that the financial and emotional burden of the recession is lifted and that tomorrow will be better than today. Of course, for some there has been a recovery. However, the majority of families are being left behind. Fine Gael’s and the Labour Party’s recovery is one for the few, not the many. When the detail of what has been announced today sinks in, there is no doubt that hundreds of thousands of people across the State will be bitterly disappointed. For hard-pressed families struggling to pay property tax and water charges, 2015 will not be the end of austerity. Today’s budget does little or nothing for these families. Some of them will be actually worse off as a result of it.

We must never forget why all of this is the case. This year, servicing the State’s debt burden

will cost the taxpayer just under €8 billion. How much of this is due to the Government's failure to deliver on the promise of a deal on banking debt? What will be the cost of the Government's failure to secure the separation of banking debt and sovereign debt, as promised at the June 2012 European Council meeting?

The single biggest challenge facing the economy is the lack of private and public sector investment. This is why so many people continue to be either unemployed or under-employed. It is also the reason so many people continue to emigrate. I am sure the Taoiseach remembers his party's famous five-point plan which was brought forward in 2011 and in which it was promised that €5 billion would be invested during the lifetime of the Government in order to get people back to work. The Labour Party also promised that €1 billion would be invested from the strategic investment fund. In budget after budget, however, the Government has failed to live up to these promises. The reason the rate of job creation is so painfully slow is that the Government is failing to invest in the economy. Sinn Féin has consistently argued for a real State-led stimulus. Time after time we have produced costed job creation proposals. At first the Government dismissed our plans; now it has embraced some of them, but without the necessary ambition or speed of reaction that the employment crisis demands.

One of the most important choices the Government faced in advance of today's budget was whether to tax the wealthy or lift the burden from the low and middle earners. It has presented its changes to the marginal rate of tax, to the threshold at which people enter the marginal rate and to USC rates as helping struggling families. The truth is rather different. When taken together and in conjunction with the impact of property tax and water charges, these combined changes will mean that those who earn the average industrial wage will be worse off. Their impact on middle-income families will be neutral. Once again, however, those who earn high incomes will benefit significantly. A low paid worker on €30,000 will gain €174, which is less than the lowest possible water charge bill of €176. A middle income earner on €50,000 will gain €546, all of which will be wiped out by water charges and the full cost of property tax. A high income earner on €70,000 will, however, gain €746. Those in this category will be the only ones who gain any real benefit from the Government's tax changes. Where is the help for low- and middle-income families in these changes? When the Taoiseach was sitting at the Cabinet table this morning, did he not blush when the Minister for Finance informed him that he would be €657 better off as a result of the budget? The Taoiseach earns €183,000 per year and the Minister informed him that he would receive a tax cut of €657. Did he not blush when the Minister indicated that a married couple with an income of €35,000 would receive a tax cut amounting to one quarter of that? This is the type of fairness the Government has visited upon people in the past four years.

Níl aon iontas orm go dtiocfadh páirtí ar nós Fine Gael - an páirtí pribhléideach seasta - ar chinneadh cosúil leis seo, ach is ábhar iontais é do go leor duine go bhfuil tacaíocht Pháirtí an Lucht Oibre ag an Rialtas fá choinne seo. Ní chruthófar postanna le laghdúchán de 1% ar an ráta imeallach cánach. Ní chabhróidh sé seo le tromlach na ndaoine atá faoi phionós mar gheall ar na polasaithe déine atá tugtha isteach ag an Rialtas seo.

At a time when children are being forced to sleep in cars, tents or hotel beds, or on the floors of relatives' homes, because of the lack of investment in housing, it is criminal for the Government to cut the top rate of tax. Fr. Peter McVerry was right to express outrage at this proposal and say that he was "dismayed" by it. I am talking about what Fine Gael and the Labour Party are doing here today.

Sinn Féin welcomes the closure of loopholes that allow multinational companies to reduce their tax liabilities. When we called for an end to the “double Irish” tax arrangement, the Minister for Finance said that the only problem with this loophole was that it contained the word “Irish” in its name. He went on to say that it was an American construction and indicated that there was nothing in the tax code which would allow the Irish State to close it down. The Minister said all of this in response to questions I asked, and I am of the view that he misled the Dáil. There can be no ifs or buts about it, particularly as he stated earlier that he was closing down the “double Irish” loophole. We welcome this belated development.

*5 o'clock*

The real tragedy in respect of today's budget is the failure to abolish property tax and water charges. Fine Gael and the Labour Party continue to overtax ordinary families. A fairer budget would have shifted the burden of taxation onto revenue sources less harmful to the domestic economy and ensured finance for investment in front-line services. Abolishing property tax, which is a deeply unfair charge, would act as a massive stimulus for low and middle-income families. What would the abolition of this tax mean? For the 1.8 million homeowners affected, it would mean €278, on average, back into their pockets. Scrapping the introduction of water charges would have an even greater effect on the average family bill, which will be well in excess of the average touted by the Government. The Government's proposal to provide working people with a €100 tax credit to offset the cost of water charges in no way meets the demand or compensates for the impact on hard-pressed families. Worse, as mentioned earlier, up to 880,000 working people have no tax liability and therefore will be in no position to avail of the tax credit, although it will be available to higher income earners. The reason they have no tax liability is that they earn so little. These are the very people who will be worst affected by this charge. Let us be clear: Sinn Féin has committed to the total abolition of these unjust charges because they are hurting families and the domestic economy. That is why we have said that, if elected to Government, we will scrap them.

One of the most damaging consequences of the successive austerity budgets of the Fianna Fail, Fine Gael and Labour Party Governments has been the dismantling of our public health system. I am pleased the Minister for Children and Youth Affairs, Deputy James Reilly, is in attendance. Perhaps he has found the €500 million hole in the health budget from last year.

**Deputy Patrick O'Donovan:** What about the Sinn Féin hole?

**Deputy Pearse Doherty:** The health system needs more than the €500 million that was taken from the health budget. To meet demographic demands in health, the system needs an additional €300 million to deal with a growing and aging population. This has not been provided. The Government has decided to stand still, keep the budget the way it is and not deal with demographic demands. This is particularly evident in the Budget Statement, in which the Government provides for only a 1% increase for the HSE in the west and other regions, which in turn means there will be real cuts there. Last year, Sinn Féin warned about cutting €666 million from the health budget. We said it would harm patients and that suitable areas for cuts could not be found. However, Fine Gael and the Labour Party carried on regardless. What did they do? They withdrew thousands of medical cards from the most vulnerable in society. People with life-limiting conditions had their medical cards torn from them.

Today's budget does not mark an end of austerity in health. Indeed, we will see more of the same in the coming year. Our hospitals and health services will once again be forced to do more

with less. The consequences will be felt in inpatient care and well-being throughout the State. Today's total voted expenditure for health is €13.1 billion. In plain English, today's budget allocation means a further reduction in health spending when increased demand is taken into account. What will be the consequence? On budget day we deal with high-level figures, as was the case last year. What will be the real effect of the failure of the Government to invest in health? It will be a two-tier health system that continues to stumble along. Public patients will continue to wait far longer for crucial diagnoses and procedures than those who can afford private health insurance. Waiting lists and trolley waits will continue. Ní hamháin go mbeidh daoine ag fulaingt, ach beidh siad ag fáil bháis toisc gur theip ar an Rialtas géarchéim na seirbhísí sláinte a thuiscint.

The mismanagement of housing policy by the Government played a central part in our economic collapse in 2007. Almost four years since Fine Gael and the Labour Party took office, the housing crisis continues. The private rental market is in crisis. Rent supplement caps introduced by the Tánaiste have forced hundreds of families into homelessness. Local authorities are being forced to house these families in hotels at considerable cost to the State as well as the families involved. Can the Taoiseach imagine for one moment what it must be like to be forced out of his home because he could no longer afford the rising market rents and because the Minister for Social Protection, Deputy Joan Burton, capped the rent supplement payments while refusing to introduce rent caps? Does the Taoiseach have any idea of what it must feel like to move night after night with his children from emergency accommodation to hotel rooms? These people have to be up and out by 11 a.m. There is nowhere to keep their possessions and they are unable to prepare breakfast for their families. This is not simply theory or fiction. This is the reality in this city for hundreds of homeless families who find themselves in this situation. Why? Because, like Fianna Fáil before them, Fine Gael and the Labour Party have slashed the capital spend on social housing. Since taking office, the Government has cut €270 million from the housing budget, reducing the spend on social housing by almost 50% in three years.

I welcome the Government's commitment to invest in social housing. Any increase in the capital budget for social housing is to be welcomed. However, we need to get real. What the Government has referred to today is €400 million in total for 2015, an increase of €180 million. It is simply not good enough, big enough, bold enough or ambitious enough. This is an out-of-touch Government that does not realise the major crisis in housing in this city and throughout the State. We hear the Government is slowly waking up to the problem, but clearly it does not grasp the full scale of the crisis. What is needed - Sinn Féin has shown as much - is an immediate investment by the State of €1 billion, rather than an additional €180 million, to start to get to grips with the social housing and homelessness crisis in the State. This is the type of urgent response the housing and homeless crises need. Once again, it is a case of too little, too late from Fine Gael and the Labour Party. The increase in the homeless budget is to be welcomed, although it is questionable whether it will even cover the recent increase in demand for emergency accommodation, let alone contribute to the ending of long-term homelessness.

Today, the Government announced several measures which, the Taoiseach maintains, are aimed at helping people with the cost of water charges. No doubt the Government will try to pitch this off as a generous measure born out of concern for the vulnerable, but let us consider it more closely. When the Government introduced water charges, the initial average annual bill was expected to be €278. Since taking office, the Government has reduced the household benefits package by €367. When we add the cuts to the household benefits package to the cost of the water charges we can see that pensioners and people with disabilities are already hundreds

of euro worse off. The idea that €100 in any way compensates for what the Government has done to these people is an insult. The extension of the €100 to recipients of the fuel allowance, an allowance already cut by €120, still leaves almost 200,000 people on the live register with zero support towards the cost of water. As winter approaches, older people in particular, living with the reality of fuel poverty, will not only be forced to go to bed early to save on heating bills but will now be worried about the cost of a cup of tea or a warm bath.

Any increase in child benefit is to be welcomed. However, let us put the €5 rise in child benefit in context. The Government has cut child benefit by €47 for the fourth child and €10 for other children. The Government cut the annual back-to-school clothing and footwear allowance for poor families by €100. All the while, the cost of living and education has been rising, pushing more and more families into debt. The Government cut maternity benefit by €32 per week and the lone parent income disregard was cut from €146 to €90, as a consequence of which a working lone mother is down €28. Against this backdrop, struggling families will barely notice the €5 per month increase in child benefit announced by the Government today. A sum of €5 would not even buy a pack of nappies, let alone make up for the hardship caused by all the cuts the Government has already made to child income supports. The so-called Christmas bonus amounts to a one-off payment. The members of the Government did not even have it in them to commit to it for the next year. It is a one-off payment of between €25 and €57.50. People are struggling all year round, not only at Christmas. Many are still in debt as a result of the bill from last Christmas and they need far more than this miserly festive pittance.

As with housing and social welfare, the announcements of the Minister for Finance on education will leave many people bitterly disappointed. While the additional teachers, resource teachers and SNAs are to be welcomed, they will simply meet the increasing demand for services. There will be no change in any of our schools as a result. It is simply a case of dealing with demographic demands. Worse, in 2015 - this is something the Government did not announce; it is the case every year - the Government will increase student fees by a further €250. They kept that quiet on the Dáil floor. Furthermore, it will reduce the capitation grant for every school in the State by a further 1%. The Government was told that any further cuts in capitation grants would mean some schools would no longer be in a position to pay basic utility bills, yet it is ploughing ahead. Is it really the policy of Fine Gael and the Labour Party to force the closure of schools as a result of this budget?

Last week, I and my colleagues launched our alternative budget. It set out a fairer and more sustainable way of meeting the State's deficit targets. It sought to put €800 million back into the pockets of ordinary workers through the abolition of the property tax and scrapping the introduction of water charges. It outlined investment in disability services and supports. We prioritised investment in health and education and we sought to stem the tide of youth emigration. It was a budget that would help rebuild our economy, renew our society and repair our communities. Unfortunately, the Government once again failed to listen.

In addition to scrapping property tax and water charges, Sinn Féin committed to exempting 296,000 low paid workers from the universal social charge. While the removal of 80,000 of those workers from the USC announced today is welcome, it simply does not go far enough. Cutting the lower rate of USC by 0.5% is simply no substitute for removing the remaining 210,000 of the lowest-paid workers from the tax net. Taken together, these three measures would significantly reduce the risk of poverty among society's lowest-income households while at the same time stimulate domestic demand.

In turn, we would place the burden of new tax measures on those most able to pay. We would have introduced a third rate of income tax of 48% on incomes over €100,000, raising €448 million. We would reintroduce the second home charge at €400 per year, along with other tax measures such as an increase in the betting tax. In total, the costed measures in our alternative budget would raise additional taxes of €1.7 billion. Crucially, however, over €1 billion of this would be put back into the pockets of ordinary working people. This would have reversed the growing inequality and poverty in society. It would also help the local economy by stimulating demand and saving jobs.

In our alternative proposals for 2015 we focused on raising the living standards of the most vulnerable, increasing investment in disability services, reversing the crisis in front-line health care and making education more affordable. There was no mention today of increasing family income supplement, FIS, payments by 10%, as Sinn Féin suggested, which would put an extra €18.50 into the pockets of the 47,000 families who rely on it. This is a measure the Government could have introduced but chose not to. People with disabilities and one-parent families need a break. Sinn Féin prioritised them in its alternative budget. We would have reversed the cut in the respite care grant that the Government introduced when it took €325 from those families, and increased the income disregard for one-parent families.

These are measures the Government could have introduced but decided not to. Instead, it wanted to reduce the tax burden on the most wealthy in society. I am sure the Taoiseach will delight in conjuring up ways to spend the extra €670 he will receive through his tax reduction, but the Taoiseach is not hard-pressed. He is not the person going to the Society of St. Vincent de Paul or the Money Advice and Budgeting Service, MABS. His is not one of the thousands of families that are struggling to keep a roof over their heads or to make ends meet. The focus of this Government should have been on the most vulnerable in society. It should have been on investment in public services and on fixing our broken services in health and education.

At the end of 2010, public anger was at fever pitch. The incompetence and corruption of the Fianna Fáil Government made people realise the need for change. On the streets and in the polling booths, people voted for that change. Fine Gael and the Labour Party promised a democratic revolution; they promised investment in jobs and services and they promised fairness. What did we get? It was the same old economic incompetence and political cronyism that had occurred previously. With each Fine Gael and Labour Party budget there is a growing sense that nothing has changed.

That is the reason 100,000 people marched for the right to water in Dublin last Saturday. That is why support for Sinn Féin and other progressive candidates reached 60% in Dublin South West and Roscommon-South Leitrim last Friday. It is the reason the Government, with an in-built majority, could not even win a Seanad by-election. It appeared that after six years of harsh austerity people's expectations had been lowered; we were just too accustomed to the harsh reality of crippling austerity, endless bank bailouts and the same old politics as usual. However, something is changing. The more people hear about economic recovery, the more it jars with the reality that their lives are not getting better. The more the Government spins the line that we have finally turned the corner, the more people ask why they have less money in their pockets at the end of the week.

There is a recovery taking place, and the figures show that, but it is a recovery for the few, not the many. It is a two-tier, two-speed recovery, just as today's budget is a two-tier budget. There are tax cuts that benefit the better off, while the rest are left to rot. The budget is about

far more than balancing the books, and the debate today is about more than listing the tax and spend measures. This is a debate about the type of society we wish to build and the type of future we want for our children. Sinn Féin believes that a better, fairer, more equal and prosperous Ireland is possible. However, there is no chance that it can be achieved on the basis of the policies outlined today. The troika will be happy with what has been announced, but Irish society will continue to privilege the few over the many. It will continue as a society for the elites, not for citizens. Poverty, homelessness, health and education inequalities, unemployment and emigration will still be the daily reality for tens of thousands of people.

The Minister, the Taoiseach and their colleagues lack vision. A century after the Easter Rising of 1916, when the women and men of this country dared to dream of a better future, the comparison with today's political class could not be starker. The disillusionment of W. B. Yeats with the lack of vision among his generation springs to mind:

What need you, being come to sense,

But fumble in a greasy till

And add the halfpence to the pence...

However, Yeats could also remember a different generation who had the courage to imagine a better society:

Yet they were of a different kind,

The names that stilled your childish play,

They have gone about the world like wind...

Ireland is crying out for a new generation who have the courage to lift their horizons above the greasy till, a generation who believe that a better Ireland is possible.

The winds of change are once again blowing and the failure of the Government to live up to the promises made in 2011 will be its undoing. The budget lacks ambition. It does not deal with the unemployment crisis, the housing crisis or the crisis in health. Once again, the Taoiseach is giving tax breaks to the rich while giving nothing to low and middle income earners. Even the modest measures outlined today protect the privilege and poverty in our society. For those reasons, I and my Sinn Féin colleagues will not support this budget.

**Deputy Mary Lou McDonald:** After successive budgets in which tens of billions of euro have been hacked from the economy and public services and after years in which the Taoiseach, like his Fianna Fáil predecessors, dipped his hands into the pockets of low- and middle-income families, this budget was billed as marking an end to austerity. This was to be, in his words, a neutral budget. It is anything but that.

This budget confirms, once again, that Fine Gael and the Labour Party in government are out of touch with the realities of people's lives and cannot grasp the struggle to get by that is experienced by people the length and breadth of the country. Today was the Government's opportunity to give families a break. It was its chance to give real relief to those who have sleepless nights filled with worry, fearful of losing the roof over their heads, of having the electricity cut off or of not being able to buy a winter coat for their child. Time and again the Taoiseach has been told that huge sections of our people are struggling to get by, but time and again he has

ignored our calls to cut these families some slack.

Today, the Ministers should have taken to their feet to announce the abolition of domestic water charges. The Government can afford to do that. It can balance the books without inflicting this additional charge on families, but it chose not to. It is dishonest and farcical to bleat about economic recovery when the Government, in a deliberate and calculated way, levies another charge on families who cannot afford to pay. There is no fear of the Taoiseach having his water supply reduced to a trickle or waiting for the sheriff's knock on the door, yet these are the penalties his Government will countenance for people who cannot pay. How does he stand over this?

The alleviation measures announced today are simply tactical and designed more to spare the Government's blushes than to respond to the realities of people's lives.

**The Taoiseach:** The Deputy will pay her water charge.

**Deputy Mary Lou McDonald:** People have taken to the streets in their tens of thousands to tell the Government to axe the water charges. They have told it loud and clear that this is a bridge too far, they cannot pay and have no more to give. They now want to know why the Government is not listening.

Sinn Féin, in its pre-budget submission, demonstrated for the Government that it can balance the books without introducing water charges. Is it sheer stubbornness or arrogance that motivates the Government? Water charges will hurt not only those who rely on social welfare but also those at work, the people who are described as the "working poor" who do not have any disposable income at the end of the week and who count the cents until pay day. The Government is hurting these people and does so with its eyes wide open because Ministers have been told their water charges will break many of these families.

**Deputy Paul Kehoe:** They will not be able to fly first class to Australia.

**Deputy Mary Lou McDonald:** The contempt the Government shows for these families is breathtaking.

Forcing people into poverty is not something to be proud of, which was something the Labour Party understood not so long ago. The Government has today confirmed that it is a pedlar of poverty and to make matters worse, it wants a round of applause for its efforts. I, for one, am sick of listening to its self-congratulatory refrain as it tells us how difficult it has been to take the difficult decisions, as though Ministers were deserving of sympathy. I wonder if it has ever given any real thought for those at the receiving end of its difficult decisions. Has it, for one minute, considered the utter recklessness of imposing a tax on the family home when 126,000 mortgages on family homes are in arrears and countless other householders scrimp to meet their mortgages?

The Government has the scope to call off the water charges and to put an end to the tax on the family home. This would leave €800 million in the pockets of hard pressed families where it is needed to keep these families afloat. This money would be then spent in the local economy, supporting jobs in those same communities. That would be a real break which would provide real assistance to people who are struggling to keep their heads above water.

If I were standing in the Taoiseach's shoes today, water charges would be abolished - gone.

If Sinn Féin were in charge, the tax on the family home would be abolished - abandoned and consigned to the political dust bin of extremely bad ideas.

**Deputy James Reilly:** There would not be family homes if Sinn Féin were in charge.

**Deputy Mary Lou McDonald:** The Government ridicules Sinn Féin's pledge to abolish these punitive taxes and sneers at any suggestion that the wealthy in society could be asked to contribute more.

**The Taoiseach:** What would be the income tax rate under Sinn Féin?

**Deputy Mary Lou McDonald:** The Taoiseach wants us to believe that his way is the only way. He is wrong and no amount of hot air can disguise the devastating consequences of the choices his Government continues to make.

True to form, the Fine Gael Party concentrates its efforts on the better-off-----

**Deputy James Reilly:** The top 1% pay 23% of income tax.

**Deputy Mary Lou McDonald:** -----and true to form, the Labour Party goes along with it. Reducing the top income tax rate by one percentage point will benefit only 17% of workers, of whom those on the largest incomes, the Taoiseach for instance, will gain most. The better off a person is and the more he or she earns, the greater will be the benefit. Let us contrast that with the approach taken to low income earners. According to OECD data, Ireland is now second only to the United States of America in terms of the proportion of low paid workers. That is some achievement under the Labour Party in government. The Government's gestures to lower paid workers are pathetically inadequate. It should have completely removed the universal social charge for all workers who earn less than €17,542 per annum, in other words, the minimum wage.

**Deputy Brendan Griffin:** Some 410,000 workers are exempt from the charge.

**Deputy Mary Lou McDonald:** What did the Government do? Let us take the case of John, one of the examples used in the book accompanying the budget. John, who is single and works full-time for the minimum wage, will gain €173 annually or €3.32 per week from this budget. This is what the end of austerity means for John. How would he fare if he was married with two children and his family had one income? Even taking into account the much-vaunted increase in child benefit, John and his little family would be better off each week to the tune of €6. The contrast between the benefit received by John and that received by the Taoiseach and other high earners is obvious.

The Government should have introduced a third tax rate of 48% on individual income in excess of €100,000 per annum. This would mean an additional tax of 7 cents in the euro on individual income, as opposed to joint earnings, of more than €100,000 per annum. That is what a fair Government would do and it is, in fact, what the Labour Party advocated once upon a time.

**Deputy Sean Sherlock:** That would mean an effective tax rate of 59%.

**Deputy Mary Lou McDonald:** Despite its rhetoric, the Government's record on job creation is nothing to crow about. More than 370,000 people remain on the live register, including more than 56,000 young people. Emigration is official Government policy and has been actively incentivised by cuts to social welfare for young people. I wish the Government would

dispense with the fiction that it has protected core social welfare rates as that certainly has not been the experience of those aged under 25 years.

While increased support to the JobsPlus scheme, as proposed by Sinn Féin, is welcome, the Government should have brought its shameful and exploitative JobBridge and Gateway schemes to a close and replaced them with real job opportunities in JobsPlus and by way of increased investment in community employment schemes.

Far from being neutral in its approach, the Government has again favoured policies that deliver least for those who have least. Ministers have spent almost four years in government crying crocodile tears for the low paid and the struggling, coping classes, yet today they have failed these groups again.

The Minister made a virtue of the fact that he did not announce new cuts to departmental budgets but he remained silent on cuts that have been already announced and are due to take effect in 2015. For example, the 1% cut to the capitation grant for primary and secondary schools will be devastating. We all know that schools are underfunded and struggle to make ends meet. Parents will be again asked to bridge the shortfall but many of them are not in a position to increase their voluntary contributions. Therefore, how will the school insurance, lighting and heating bills be met? Does the Taoiseach care?

The €250 increase in the registration fee for third level students, in real terms, will mean that education will be beyond the reach of many, particularly younger people. By any standard, a registration fee of €3,000 per annum is excessive. I do not see Deputy Ruairí Quinn in the House. I remember that fado, fado he signed various pledges to ensure this would not happen.

The budget does far too little to make getting children back to school more affordable; it provides no additional resources for school book grants or the back-to-school clothing and footwear allowance. The Tánaiste and Labour Party leader rather glibly told parents to shop around, but I cannot emphasise enough to the Taoiseach how much of a strain children returning to school represents for struggling families. I hope he is listening. I hope that at some point in his political life he might understand this and that we might see some substantive response to it.

**The Taoiseach:** Tuigim go maith cad atá á rá ag an Teachta.

**Deputy Mary Lou McDonald:** The ongoing failure to provide sufficient resource teachers, speech and language therapists and occupational therapists is unacceptable. Disability services have been run down on the Taoiseach's watch. Parents and teachers are distressed, while children are suffering because the basic services necessary for them to develop and flourish are being denied.

The health service, too, is under severe pressure, as workers on the front line and patients know, yet the Taoiseach has made no guaranteed or specific provision for the additional nursing staff and midwives who are so desperately needed in the service. An additional 1,000 posts, as advocated by Sinn Féin, would cost €40 million. This investment is absolutely essential.

There is nothing dedicated to enhance the ambulance service. A spend of just over €6 million would provide two additional ambulances and personnel in each of the four regions. This would address the existing inadequate level of cover. Is the Government aware of this shortfall and, if so, why does it fail to address it?

The vagueness of commitments on funding for mental health services and suicide prevention measures, in particular, is disappointing and alarming. There is not a community or family across the land that has not been touched by this tragedy. It is the sharpest end of the mental health challenge faced by us as a society.

The levying of prescription charges has caused hardship for many but particularly senior citizens, yet the Taoiseach has made no clear commitment to lift this burden. On his watch these charges have soared from 50 cent to €2.50.

**The Taoiseach:** Has Deputy Richard Boyd Barrett had enough?

**Deputy Mary Lou McDonald:** The Taoiseach had promised to abolish these charges. Does he remember that promise?

**A Deputy:** The real leader.

**The Taoiseach:** Where has he gone? He could not take any more.

**Deputy Mary Lou McDonald:** Neither has the Taoiseach made specific provision for discretionary medical cards. After all the hardship visited on those coping with serious illnesses and disabilities, including children who had their medical cards taken from them, it is incredible that the Taoiseach has not made explicit provision to guarantee that this sorry saga will not play out again.

The Taoiseach could have extended the BreastCheck programme to women aged 65 to 69 years. Not so long ago, the Minister for Health received a petition from such women on this very topic. It would have cost €2.9 million - a small investment in the health of this cohort of women.

Of all the cuts the Taoiseach has introduced during his term of office, the cut to the respite care grant was especially mean-spirited. It showed a complete disregard for carers and the invaluable service they rendered to their loved ones and the State. That cut should have been reversed today. Shame on the Government for not doing so.

Lone parents should also have been given a greater break in this budget. Of all groups in society, those families headed by a lone parent have been hardest hit by the austerity programme, yet the Taoiseach has delivered precious little for them.

The Taoiseach has done nothing today to address excessive pay levels in the public sector among the small cohort at the top who are paid too much. This is probably no great surprise, but it reillustrates the favour extended to the privileged few.

The budget does nothing in respect of the pay of the Taoiseach, the Tánaiste, Ministers or special advisers, all of whom remain overpaid. It is a great pity that, once again, the Taoiseach has missed an opportunity to deal with this issue which I have no doubt adds to people's general cynicism about politics and politicians.

The Taoiseach has finally woken up to the fact that we are in the grip of a housing crisis. The homelessness and rough sleeping figures are truly scandalous, as is the fact that almost 90,000 households are on local authority housing lists, many of them for many years. Added to this are the 74, 000 families in receipt of rent allowance. The State's failure to provide housing for these families is costly in human and financial terms. It costs €30 million annually in

providing emergency accommodation and nearly €500 million in subsidised private rent payments. This cannot continue. Sinn Féin has argued for an investment of €1 billion from the strategic investment fund to kick-start the response to this crisis. This could provide 6,600 social housing units in the next 18 months, unlike the Government's plans which are significantly less ambitious. They fall well short of what is required to adequately address the lack of social housing supply. Why does the Taoiseach remain so timid in the face of such a crisis? Families are traipsing from one bed and breakfast establishment to another, as well as sleeping on sofas or in cars. That is the reality in 2014 in Ireland. There is no end to austerity and hardship in view for these families.

Untold damage has been done by the Taoiseach's policies in his term in office. He has consigned people to long-term unemployment, the emigrant trail and the indignity of feeling like beggars when they seek basic services to which they or their loved ones are entitled. He may choose to deny or ignore this damage, but it is very real. He may clap himself on the back for an austerity job well done and may even be delusional enough to believe his vicious cutbacks have worked. He should know, however, that he presides over a country in which citizens continue to struggle for the basic necessities of life. Mothers and fathers are forced to choose between feeding their children and paying the rent. There are senior citizens who must choose between which prescription they can afford to fill and which they should set aside. For countless families, their young people are gone, forced to build their lives and find work far away from home. These are not measures of the Taoiseach's success but testimony of his abject failure. Today, he had a chance, in real terms, to start to repair and rebuild, but he has missed that opportunity.

At the beginning of this debate, the Minister for Finance, Deputy Michael Noonan, in poetic mode, quoted Robert Frost. He talked about the road less travelled, but the path taken by the Taoiseach and the Government is the well trodden road of previous Governments. He has targeted in a cynical way those whom he believes to be soft targets. This budget privileges those it believes to be in more powerful positions. It falls short even of crumbs from the rich man's table. Yet, it will argue that this represents something fair. Well, it does not. I need to tell you, Taoiseach, that people are very well aware of that fact. If anybody was fooled by you in 2011 let me tell you there are very few you are fooling now in 2014. If you take a message from this debate and have listened at all, let me repeat to you that if you were serious about giving a break-----

**An Ceann Comhairle:** Sorry, Deputy. I have to interrupt you. I have been slow to do so, but Standing Order 45 states that a Member shall address the Chair and not speak across the floor to any other Member.

**Deputy Mary Lou McDonald:** You are interrupting me for that.

**Deputy Gerry Adams:** Ceann Comhairle-----

**An Ceann Comhairle:** You mind your own business.

**A Deputy:** Watch your back, Gerry.

**An Ceann Comhairle:** I am telling the Deputy what Standing Order 45 says. Now please address the Chair.

**A Deputy:** Watch your back, Gerry.

**An Ceann Comhairle:** That is what leads to disruption. Sorry, please continue.

**Deputy Mary Lou McDonald:** Thank you for that very helpful intervention.

**An Ceann Comhairle:** Yes, you should know the Standing Orders. In case you do not I am just telling you.

**Deputy Mary Lou McDonald:** I think that is deliberately disruptive. I think An Taoiseach-----

**An Ceann Comhairle:** Excuse me, withdraw that remark.

**Deputy Mary Lou McDonald:** I feel it was deliberately disruptive.

**An Ceann Comhairle:** Withdraw that remark.

**Deputy Mary Lou McDonald:** I am not withdrawing it. I believe it was deliberately disruptive.

**An Ceann Comhairle:** Then leave the Chamber.

**Deputy Mary Lou McDonald:** That is ridiculous.

**Deputy Gerry Adams:** Ceann Comhairle-----

**An Ceann Comhairle:** If you do not withdraw the remark-----

**Deputy Mary Lou McDonald:** Pardon me?

**An Ceann Comhairle:** You are accusing me of bias. You will either withdraw the remark or else you will leave the Chamber.

**Deputy Mary Lou McDonald:** No, I believe it was a biased intervention. I am not withdrawing it.

**An Ceann Comhairle:** Well then leave the Chamber.

**Deputy Mary Lou McDonald:** I will leave the Chamber and I hope the Taoiseach has heard what I have had to say.

**An Ceann Comhairle:** Then leave the Chamber please. Thank you. Leave the Chamber.

**Deputy Gerry Adams:** If she leaves, this Teachta Dála, we will all leave.

**An Ceann Comhairle:** Okay, that is fine by me. The Deputy will leave the Chamber. If she does not withdraw her remarks, she can leave the Chamber.

*(Interruptions).*

**Deputy Pádraig Mac Lochlainn:** The Taoiseach never stopped the talking. Check the blacks afterwards.

*(Interruptions).*

**An Ceann Comhairle:** If the Deputy has left the Chamber the next speaker is from the

Technical Group.

*(Interruptions).*

**A Deputy:** Will you be back tomorrow, Gerry?

**Deputy Gerry Adams:** Of course I will.

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

**Deputy Gerry Adams:** Will you be back after the next election?

**Deputy Sandra McLellan:** Others are interrupting now.

**Deputy Patrick O'Donovan:** They did not come back.

**Deputy Pádraig Mac Lochlainn:** Young Tories.

**An Ceann Comhairle:** Sorry, please. You do not address the House from outside the Chamber, please.

**Deputy Catherine Murphy:** I wish to share time with Deputies Joan Collins, Fitzmaurice, Boyd Barrett, Pringle, Healy-Rae, Ross, Maureen O'Sullivan and Finian McGrath.

**An Ceann Comhairle:** Is that agreed? Agreed.

**Deputy Catherine Murphy:** The budget today has been framed with a particular reference point, namely the 2011 programme for Government and the expectations of the electorate that there would be a game-changing renegotiation of our debt. I agree with the statement made by the Minister, Deputy Noonan, in 2009 when he said, "What legal or moral compulsion is on Ireland, however, to honour in full debt incurred by Irish banks when there was no State involvement in the arrangements? ... It is obscene that liability for these loans is now being transferred to the Irish taxpayer, in many respects to the poorest of Irish taxpayers."

Today we are still liable for every red cent for which we were liable in 2011. The current CSO debt estimate in today's budget book is €215 billion or 123% of GDP, with 120% regarded as an unsustainable debt. The budget document goes into detail about economic risks. As we know, we do not have anything to fall back on because the National Pensions Reserve Fund has been decimated. Our huge bank debt, together with the weaknesses in the eurozone, poses a risk because of our trade dependency. When one examines it, that is what the Budget Statement states. The extent of debt is a limiting factor. It is a part of the reason the austerity measures, including Irish Water, have been imposed.

Irish Water is yet another three-card trick being played by the Government regarding budgetary arithmetic. The Government is starting to realise that people have been pushed beyond breaking point. It pushed 100,000 people onto the streets on Saturday and now there is an obvious sense of panic. All the talk today is about the tax credit for Irish Water bills, but the Government has not stated that it is part of the budgetary arithmetic. It is why the deficit is set where it is. It is operating on the expectation of getting income from people who are forced to pay water charges. People who get €100 credit on a €500 bill will still have a bill of €400, something they realise very clearly. The tax relief is recent and has everything to do with 100,000 people taking to the streets.

The introduction of a tax credit now has a significant bearing on data protection legislation, specifically section 2 of the Act which requires the Government to utilise all available personal information before requesting new data. If we can facilitate Irish Water allowances through tax credits, why would people need to provide PPS numbers? In fact, it is illegal to do so. If that is the case then all the Irish Water packs which have been sent out could be requesting PPS information illegally.

Our public services are at breaking point. Children are being dosed with antibiotics for simple conditions such as tonsillitis because they have to wait years to have their tonsils removed. Others are waiting in pain for hip replacements while theatres remain out of operation. We were told today that there would be no increase in class sizes. How can there be increases in class sizes? I do not know if a member of Government has visited any school recently. There is a campaign called Room to Bloom, but there is no room to move in many classes which have 30 or 35 children in them. The measure only takes account of the baby boom.

I welcome any announcement of an increase in house building, in particular social housing. However, the numbers are tiny and are more than offset by the reduction in rent assistance which is buried in the budgetary figures and will only add to the homeless problem. The fundamental requirement of a progressive tax system is that those who can bear the most pay the most. This is not a just tax system and there is no evidence of the Labour Party in the budget, which is shameful.

The response to the budget involves being corralled into accepting that we are where we are. On Saturday I and many hundreds of thousands of people woke up. We are refusing to accept that we are so limited. The debt is the largest limiting factor.

**Deputy Joan Collins:** Most people will be relieved that none of the savage austerity cuts of the past seven budgets is in this budget. However, nobody should be under any illusion that austerity has ended. The Government is making a big deal of the fact that a €1.2 billion increase in services and tax cuts is contained in the budget. More than €30 billion has been taken out of the economy, people's pockets and essential services over the past six years and seven budgets. There is a long way to go to repair the impact the savagery has exacted on the economy, social services, jobs and people's lives.

I want to give three examples of previous budgets. The first budget announced by this Government for 2012 allocated just under €21 billion for social protection. In this budget the allocation is €19.4 billion, a cut of €1.5 billion since 2012. The allocation for health spending in 2012 was €14 billion. In this budget it is €13.1 billion, representing a cut of almost €1 billion. The allocation for education in 2012 was €8.7 billion. It is now €8.3 billion, a cut of €400 million.

We are completely tied into austerity, perhaps for decades, by the terms of the fiscal treaty which limits our borrowing requirement to below 3% a year and targets a reduction of GDP to debt ratio of 60%. We are paying €8 billion a year in interest payments, a large chunk of which is paid on the odious bank debt. I notice the Minister, Deputy Noonan, made no mention of any possible deal on our bank debt.

I refer to the restoration of 25% of the Christmas social welfare payment. The Christmas bonus was an important payment for people on social welfare which helped them deal with the demands of extra spending over the Christmas period. It helped keep many people out of the

clutches of moneylenders. Instead of making this 25% a one-off payment, the Government should at the least have announced a full restoration of the payment over the next year or two.

I refer to the examples of the budget income tax changes given by the Minister. He gave an example of a single person working in the private sector on a salary of €15,000 per year and said this person would be better off by €2 per week. That is the cost of a latte in the Dáil restaurant. That is what the Government is giving to take people out of austerity. It would be a joke if the situation were not so serious. Another example given was that of a married couple with no children on one income of €15,000 a year. Again, this couple is better off only to the value of one latte per week. A married couple with two children will be better off to the value of two Dáil lattes a week. Meanwhile, top earners will earn €15 a week extra to help them pay for their water taxes - a good move by the Government to assist the better off in our society.

These tax changes are completely illusory and pathetic, particularly when we take into account the introduction of water charges. What is given in tax reliefs will be taken back if the Government forces people to pay water charges. I believe people will not pay for water. It is not that they will not pay but that they cannot pay. Last week, when Fr. Peter McVerry heard one of the numerous leaks from Government sources, he said he fully supported any relief that could be given to our many middle- and low-income people but that reducing the top rate of tax excluded those people and only provided for those who were better off, which he found pretty obnoxious. I too find this pretty obnoxious, as I am sure do many on both this side and the Government side of the House.

On the issue of mental health, I received an e-mail from the Liberties Counselling Service, which is being threatened with closure coming up to Christmas due to a cut of 48% in its funding. The issue of mental health services is not being addressed and has not been addressed in this budget. I spoke to a young man from Ballyfermot who had reason to access mental health services recently and he told me he was shocked at the level of service provided to him - practically no service.

If people in the Labour Party believe this budget will save their skins, they should think again. I told the Tánaiste last week that there would be a rude awakening for the Government on Saturday. I was proud to be involved in the demonstration and protest by 100,000 people. These people will be back out on the streets on 1 November and I believe there will be even more people out that day, because they will not buy into this illusory budget.

**Deputy Michael Fitzmaurice:** As a newly elected Deputy, I want to thank each and every person who has helped me here today.

We have been thrown into the frying pan. Parts of this budget are welcome, but other parts are not. I welcome the retention of the VAT rate of 9% for tourism, because any measure that can boost tourism is good.

The Minister spoke about water and promised a tax rebate for people paying water charges. In Roscommon and south Leitrim, people cannot drink their water. Therefore, it is useless to give them a rebate for water they cannot drink. First, we must put in place infrastructure for people throughout Ireland, not just in Roscommon-South Leitrim.

Up to last week, the Department of Education and Skills insisted it had nothing in its budget for the small building works grant, which helps schools throughout the country survive. I hope that when the detail of the budget comes out we will see a provision for this grant. If not,

the election stunt of including it in last year's budget provisions is useless. We need this grant for the survival of small schools throughout the country. I also hope the education budget will provide the extra school space needed in towns such as Athlone and other parts of the country.

Everybody in the country deserves a proper health service. If an accident and emergency unit is not going to be opened in hospitals such as Roscommon hospital, I hope the budget will allow for an air ambulance to be available to those hospitals full time. I hope the health budget will also provide for the eight-year-old children near Arigna who have not been provided with an eye and ear test over the past four years. Each of our citizens deserves the same proper health service as everyone else.

I welcome some of the budget's provisions in regard to farming, such as the leasing of land to encourage young farmers. However, one issue we need to address is that of young farmers who between 2008 and 2012 were basically told to emigrate because they were not entitled to what farmers are entitled to post-2012. When the Minister for Agriculture, Food and the Marine comes in later, I hope he will address that issue in his budget. I welcome the provision regarding €100 per cow for ten cows, but it would be better if this were provided for up to 20 cows. What has been provided in regard to the leasing of land is welcome, but people will not survive in farming and we will not see these payments in 2015 if the Government buries its head in the sand and does not address today's problem - namely, the issue of the factories and what is happening in regard to transporting cattle across the Border. We do not seem to be able to solve the problem of this invisible line, although we can get our cattle into Italy. I urge the Minister and will remind him day in, day out that this issue must be addressed. It is no good to promise people money in a year's time if they will have gone out of business by Christmas.

I notice that six cities have been earmarked for investment in an effort to inject life into them. This reminds me of John McCormack singing about Athlone being the centre of Ireland, but Athlone seems to be forgotten in this budget and to have been left out of the six cities mentioned. Roscommon and Carrick-on-Shannon also need investment, as do many towns and areas in the west of Ireland. I hope that while the budget opens the door to further employment in the Civil Service, it will also open opportunities around Ireland. Around Ireland, council workers have not been recruited and many have retired. Hedges have gone out of control and our roads have potholes. I hope money is invested and that people are recruited again in this sector.

I welcome the fact that more gardaí are to be recruited, but there is no use in recruiting gardaí if all they have to transport them is a bicycle. During my election campaign, I looked into paddy wagons and Garda cars and noticed that many of them have over 300,000 miles on them and are not fit for purpose.

In the area of business, we need more incentives for SMEs throughout the country. I urge all Ministers to listen to us so they can tweak their budgets as necessary to create an environment that will increase employment throughout rural Ireland. We must create sustainability for everyone.

**An Ceann Comhairle:** I congratulate the Deputy on his maiden speech.

**Deputy Richard Boyd Barrett:** One would think that after 100,000 people took to the streets in what was probably one of the largest demonstrations in the world against austerity, proportionate to the size of this country, the Government would listen. Instead, this budget is a dishonest con trick. After the Government has beggared the nation to pay off the debts of

gambling bankers, it has thrown a few crumbs to the people. However, those crumbs will be gobbled up by the monster that is Irish Water and the property taxes. The combined impact of water charges and the property tax with this budget means the majority of struggling families on low incomes will still be worse off next year than they were this year. The Government has given with one hand but it has taken a hell of a lot more with the other.

*6 o'clock*

It is quite sickening against this background that, in the income tax and USC changes the Government has made, it has yet again given disproportionately to the higher income earners and the better off. They will be able to pay their water charges and their property tax with the tax breaks the Government has given them but struggling low income families, whether working or on social welfare, will have more taken off them in the water tax and property tax than they are being given back. That is quite sickening. For example, a worker earning €25,000 per annum will get back €288 per annum in these income tax changes but will have to pay out at least that much in water charges and then more again in property tax. Someone on the average wage will get back some €500 per year but will also have to pay that much and more in the water charges and in the property tax. In contrast, the Taoiseach, on €200,000 a year, is going to get back an extra €864, so he will be able to cover the cost of the water charges and probably the property tax with what he is given back.

One of the most sickening aspects of the crumbs that are being thrown at people through the so-called Christmas bonus give-back, the little bit on child benefit and the €100 allowance for water is that this money will be further funnelled into the quango that is Irish Water. It is another subsidy for this monster quango which is simply sucking up money. We are paying money to people so they can pay their bills to Irish Water, putting more money into the pockets of its consultants and the super-wealthy contractors who are getting all the contracts off Irish Water, which will continue to Hoover up more and more money over the coming years as those water charges increase on the requirement that Irish Water makes full cost recovery on the cost of water services. The give-back is an absolute con because it will not even cover the cost of the water charges.

Similarly, on public services, the big fanfare about housing is an absolute con. Some 2,500 extra council houses next year will not even cover the new applicants who will join the list this year. Some 1,200 people are joining the list in Dún Laoghaire-Rathdown alone, which is just one council area, yet the Government is giving just 2,500 new council houses for the whole country, so the housing list will continue to spiral. There was no mention of rent allowance or of serious money being provided to give flexibility to community welfare officers to raise the rent allowance caps to prevent people going into homelessness. The housing and homelessness crisis will continue because this is a pathetic sop to what is an absolutely catastrophic crisis.

Similarly, in the health budget, the Government has actually allocated less money this year than it allocated last year. If anyone checks the Estimates, not the supplementary budget, they will see it is less. In education, the extra teachers will only just about cover the 10,000 new students who are coming in so, in other words, there will be no end to overcrowding in our schools. The budget is a con job.

**Deputy Thomas Pringle:** This budget has been touted by the Government as being the end of austerity and the start of recovery for the people of this country but, in fact, it is again strengthening the hand of the people who can afford the most. Those who are earning the most

benefit the most. What is stark in the budget figures is that it is funding what I would call a wageless recovery where people who cannot increase their incomes are being taken out of the tax net. While I welcome the increase in the universal social charge threshold that takes 80,000 workers off the charge, this means that over 20% of people at work in this country are earning less than €12,000 a year, which is a huge indictment of the Government.

We are thrown the sop of having a low pay commission established in 2015, although that will take a number of years to report. Nonetheless, we see that low wages are enshrined in this economy, which is a minimum wage economy where 900,000 workers do not earn enough to even pay tax. That is what the Government is lauding and promoting as a so-called recovery in our society.

The Government talks about the tax credit for the water charges but this will mean nothing to those 900,000 workers who are not in receipt of the allowance and cannot benefit from it. Those workers who do not pay any tax and do not earn enough to avail of the tax credit will be hammered with the full cost of the water tax next year. The Government makes a big play of the fact the average charge will be €240 for a household next year but if a person is earning enough to be able to avail of the tax credit, that person will receive a benefit of €48 for the year. This tax credit is a whitewash. It is a reaction to the 100,000 people who were on the streets last Saturday opposing this tax and the many hundreds of thousands of people who will continue to oppose this text because it is unfair and unjust. The Government is enshrining that in the measures introduced today in the budget, whereby low paid workers will not be able to avail of the tax credit or of the social welfare benefits which have supposedly been introduced to ease the burden on those workers.

We see the changes for what they are - nothing. They are a whitewash in the context of this unfair tax. Therefore, the people will still need to oppose this tax. They will need to gain strength from this budget because they see that the Government does not care about people on low pay, people on the margins or people who are struggling across society. The people the Government are interested in are those earning very good wages of over €70,000 a year, including all of us in this House, who can afford to contribute more but who are asked by the Government not to do so.

Every year, this Government makes people on lower wages contribute disproportionately more. That is the problem with this Government and it is why there were 100,000 people on the streets last Saturday. They see that the Government was trying to sell us a pup in introducing these changes. The facts are that the tax changes benefit the higher paid, who will benefit up to seven times more than those on the minimum wage - that is a fact.

With regard to the housing crisis, the Government has made much of providing social housing in the years up to 2017 but only 6,700 houses will be provided. In the 1950s, we were providing over 7,000 social houses a year despite being a lot less wealthy than we are now. This will make no difference to the housing crisis and, in fact, things will just get worse. In addition, the Government is beginning the privatisation of social housing provision by introducing public-private partnerships and funding those disproportionately to meet the needs.

For people who are dependent on rent supplement, the social welfare budget has actually provided for a reduction in funding of 14% in rent supplement and of 36% in supplementary welfare. How is the Government going to deal with this crisis? What it is doing will just make it worse and push more and more people into homelessness but it will not deal with the issues.

What the Government should have done in this budget is use the tax buoyancy to roll out a proper house building programme which would provide real jobs with real wages for workers in this economy, as well as providing for families who cannot provide for themselves because of the Government's policies.

**Deputy Paul Murphy:** First, I would like to express my deepest appreciation to the people of Dublin South-West who voted for the Anti-Austerity Alliance and sent me into the Dáil to deliver their message. The great socialist and trade unionist Jim Larkin said, "The great appear great because we are on our knees. Let us rise." On Saturday, workers, unemployed people, pensioners and young people did just that. They rose in their hundreds of thousands, flooding onto the streets of Dublin with a demand to scrap water charges. They did the same with the same message the day before at the ballot box. They rose because many people simply cannot afford to pay €500 plus per year for an average family, because they have had enough of austerity in order to pay the bondholders and because they know that this is a prelude to privatisation. They rose because they are fed up with six years of non-stop austerity and they rose because, despite the talk about recovery, they are not feeling it. The recovery exists for the rich and the super-rich, while working-class people face a horrific crisis of homelessness, JobBridge, Gateway, low wages and worsening public services. Having risen, to them the great do not appear so great anymore.

The cynical, panic-driven concessions offered by this Government today will not quell the revolt on the water charges. The crumbs of tax relief will not affect the 800,000 people so low-paid that they would not be able to avail of it - 40% of the workforce. People understand well that today's concessions will be taken back tomorrow given half a chance. The Government is now decisively on the back foot on this issue and can be beaten by a mass movement. That is the message that will go out to people right across the country. Today, under the banner of the end of an era of budgetary austerity, the austerity unfortunately continues, because the savage €30 billion worth of extra cuts and taxes imposed by this Government and the previous one over the past six years remain, and the vast majority recur this year and represent continuing attacks on ordinary people. Despite all the repetitive talk about maintaining the progressive nature of our taxation system, the reality is that the taxation changes, in terms of the reduction in the highest rate of income tax and the changing of bands, will benefit a relatively small minority of income tax payers. A section of higher earners will benefit from this budget. For most, anything given today with one hand will be more than taken back with the other in the form of the water charges.

The other group that continues to see the recovery is the bondholders. We have a primary surplus. Next year, the State will take in more in tax revenue than it spends in public services, but the austerity continues. Why? Because for every €5 taken in tax next year, €1 will go to pay the bondholders.

The response to the housing crisis is completely inadequate. There are almost 100,000 people on housing waiting lists, 8,000 of which are on the South Dublin County Council list. With six people being made homeless every day, the Government is talking about 10,000 homes by the end of 2018. In the 1970s, almost that many would have been built in a single year. For €7 billion, the Government is choosing to pay down the principal on the debt this year to the tune of €7 billion. That could have built 40,000 homes and created 70,000 jobs. It could go a serious way towards tackling the housing crisis instead of just pretending to do something about it.

Having risen, people should not kneel down again. They should mobilise for the nationwide

protests organised by Right2Water on 1 November. They should build effective mass protests to prevent metering in the estates. People should join the We Won't Pay campaign and prepare for a huge country-wide boycott of these charges from January. If people refuse to pay, refuse to be bullied and stand together, we can beat these charges. In fighting these charges, we can build the most powerful movement from below seen in this State in decades. Such a movement can not only challenge the water charges but can demand massive investment in the building of homes for those who need it and in real, decent job creation. It could challenge the rule of bankers, bondholders and big business.

The hapless Labour Party is being fatally undermined for its collaboration in rescuing capitalism on the backs of working-class people. Any other grouping, be they Independents or Sinn Féin, that takes a similar road will face the same fate. We need a challenge to this rotten system and to fight for radical and socialist change that can deliver sustainable economic and social recovery for the majority. I encourage people outside this Chamber to join the Anti-Austerity Alliance and help build a new mass political force in this country to represent working-class people, who are the vast majority in society, based on the ideas, struggles and tradition of James Connolly and Jim Larkin.

**An Leas-Cheann Comhairle:** I congratulate Deputy Paul Murphy on his maiden speech.

**Deputy Seamus Healy:** The Irish Constitution commits Irish Governments to safeguard with special care the economic interests of the weaker sections of Irish society. That constitutional provision has been breached every year for the past three years by this Government and is again being breached today. Regressive austerity budgets have given to the rich and powerful in our society and taken from low- and middle-income families across this country. The deprivation rate in Irish society is now 26.9%, up from 11% in 2007. Fr. Peter McVerry said:

I'm absolutely dismayed at idea that the tax cuts are going to be at the top rate of tax. That horrifies me. I really can't express how outraged I would be at that.

Gerry Kearns, professor of human geography at NUI Maynooth, said:

Ireland needs a poverty strategy. It needs a wealth tax. It needs a social housing programme. It needs a regional policy. It does not need tax cuts for fat cats. The Constitution directs as much and the Minister should pay it more heed.

The 100,000 people on the streets of Dublin last Saturday and the results of the two by-elections in Dublin South-West and Roscommon-South Leitrim have certainly put the frighteners on the Government and have been responsible for whatever minor changes and benefits were delivered in this budget. The water charges will be defeated. People power will defeat these charges. Low- and middle-income families are absolutely opposed to them and are affronted by Irish Water itself. It was set up at a cost of €180 million, with €50 million going to consultants, and the management of Irish Water is now paying itself bonuses. This has to stop, and these charges must be, and indeed will be, reversed.

There is a huge hole in this budget in respect of health expenditure. Again, for the fourth year in a row, this Government has a black hole in the health budget. The Minister for Children and Youth Affairs will remember his own special adviser, Martin Connor, who said recently that brutal fiscal consolidation in the health services must end. He said that the ongoing financial crisis that is continuing to damage the health system was central to the medical card debacle, long waiting lists, hospital bed closures and disability cutbacks. This year, despite what he has

said and despite what we all know, there is another €460 million hole in the health budget. Page 80 of the booklet provided to us refers to a range of savings measures - in other words, cutbacks - to the value of €130 million and income generation measures of €330 million, which represent a black hole of €460 million in the health budget. That means continuing chaos for the health services, hospital services and primary care services. This simply must stop.

As other speakers have said, the attempt at dealing with the housing crisis is a complete sham. There are 90,000 families on waiting lists, with a maximum of 10,000 homes over four years. In education, there were no reductions in class sizes, reductions in the capitation rate and increases in third level fees. This is a budget for the rich and the powerful, and it will have to be overturned by the people of this country, particularly when it comes to water charges.

**Minister for Children and Youth Affairs (Deputy James Reilly):** I wish to correct the record of the House. Dr. Martin Connor was an adviser to the Department of Health, not to me.

**Deputy Mick Wallace:** If one bypasses the bluff that comes in a constant stream from the Government benches and listens to the organisations and people who present the current situation in Ireland through a sober lens, such as NERI and TASC, economists like Sheila Killian and Michael Taft, and clear-eyed geographers like Julien Mercille, Gerry Kearns and Proinnsias Breathnach, one gets a picture of Ireland that is at odds with the Government's line. Inequality is soaring and the jobs situation continues to drive people out of the country. The Government has repeatedly undermined the safety net for the less well-off, the social state and the notion of the public good. Foreign corporations and big business are the winners in this game and everyone else is secondary. It claims that the crisis is over and that its crew navigated us out of the troubled waters. The crisis is over for those whose motto is "never let a good crisis go to waste", the defenders of the so-called free market, the private consulting groups who received hundreds of millions of euro in fees from this Government and the private businesses which filled the void in the public services.

Why are IBRC and NAMA going about their work in such secrecy? Given that they are working with public funds, why is the public not allowed to see what they are doing? Assets have been sold for a fraction of their value and people like Denis O'Brien got write downs of €230 million at the expense of the public. Apartments in this town have been sold for €100,000 each. If the Government ever gets around to it, it will cost it €200 million to build new housing. Why did it not buy these units for a fraction of their value instead of giving tax incentives to multinationals to purchase them, thereby driving up rents in the process? We now have a cartel, with too few people controlling rental properties in this city.

What has it done to fight for a write down for the general public? How can it claim to represent the will of the people of Ireland when it is hell bent on pleasing the corporate sector first? It is taking a self-satisfied tone about all the jobs it created but what kind of jobs are they? They are low paid and part-time, with no security. It is quantity not quality. Approximately 450,000 people have left this country since 2008 and they continue to leave because only the most minimal of jobs are available for them. We are driving the talent out of Ireland.

We will be paying for the bailout for the next 40 years. Given the way in which today's version of capitalism is malfunctioning and the threats to stability coming from the transatlantic trade and investment partnership, which nobody in here wants to discuss, climate change and the US global war on terror, the Government's budget looks ridiculous. The neoliberal parties which have been in power for the last 20 years were all bound to the economic philosophy of

the markets which got us into this mess in the first place. The Government is bound to the interests of big business, while the less well-off are punished for being the losers in this game of winner take all.

Even the masters of the IMF have started to change their tune recently. Its recent report, *Redistribution, Inequality and Growth*, challenged the notion that policy makers have to choose between tackling inequality and achieving faster growth. It now argues that reducing inequality leads to faster and more durable growth. Last week, it even went so far as to break with standard neoliberal doctrine to encourage member governments to take advantage of historically low borrowing costs to boost spending on public investment. Despite all the leaks to the media in the past several weeks, we are still not getting a real housing programme or a serious housing strategy. We are put up as the poster child for austerity. Michael Taft used Eurostat figures to outline the reality of the situation, namely, that while Ireland makes up less than 1% of the EU population and the Irish economy makes up 1.2% of EU GDP, the Irish people have paid 42% of the total cost of the banking crisis. Never mind a few carrots for the voters, this budget is just another expression of the Government's passive acceptance of this state of affairs. Its real function is to ensure that the people who are not responsible for the crisis continue to pay for it.

**Deputy Shane Ross:** I congratulate the two new Members of the Technical Group on their election to this House and on their erudite expressions of opposition to this budget. Somewhat alarmingly, I found myself agreeing with a great deal of their analysis even if I do not think their solutions are necessarily ideal. While I was listening to the budget speech I also detected the aspect of it to which Deputy Wallace referred. It is just part of a pattern of being subject to the whims of those who are overseas and who control our economy. This is part of what they call the recovery pattern after the extraordinarily tyrannical demands made on us in 2007, 2008 and 2009.

Like many others in this House, I grow angry when I read the kind of propaganda that is constantly spun from the Government benches about its management of the economy. The big lie in the Minister's speech which summed up this was his assertion that the Irish people have made major sacrifices. The Irish people made no sacrifice whatsoever; the Irish people were sacrificed. This Government was a big player in sacrificing the Irish people. This budget tells us that we are fast learners of the doctrine of Angela Merkel. Nobody could have been more pleased by the delivery of this budget than the German Chancellor. This is totally and utterly in keeping with the map she set out for us in 2009, 2010 and 2011 as part of the troika bailout and the *dictat* on what should happen to our economy. Throughout his speech, the Minister claimed credit for what he described as the improvements in the figures for GDP, growth, employment and emigration. The Government has not achieved many of these things. Its freedom of movement in this budget is, as Deputy Boyd Barrett and others have noted, as much as it was allowed because, according to our masters somewhere else, it is time that we handed back some of the crumbs to those from whom we have taken a large part of the loaf. That is what has been happening today.

We must be wary of accepting that chapter of our history as though it is something we did ourselves. What we are doing today, and what is coming from those benches and on the radio from both Ministers, who are appearing on the media *ad nauseam*, is that we are getting one or two things back which should never have been taken from us in the first place. We should not be grateful for that. We should not be giving them our applause. Nobody should be fooled that the Irish people have somehow swallowed this doctrine. The two Members who just spoken are living proof of the fact that the people of Ireland are not fooled. Whatever is given back

and whatever the big lie we are told today, it is going to be taken away again, and it will not compensate for water rates, the property tax and other taxes which have been imposed on us totally and utterly against our will.

I welcome one or two things in the budget. I welcome the removal of the pension levy and the fact that old-age pensioners are getting their bonuses back. However, I do not welcome the fact that we are constantly getting figures quoted about GDP growth and ten-year bonds yielding 1.72%, which will please the heads of Europe, but means nothing to the people who have suffered under the budgets that have been imposed on us. I am particularly sorry that the budget contains no sense of vision, departure or radicalism. It contains nothing novel. If the Government was clearly in favour of doing what it says it must, if it was a radical Government and wanted to change not just the political shape of the country but also its economy, why has it not tackled the quangos we have seen so often put up in lights and never touched? Why did it not address in the budget the cronyism referred to by other speakers and save money there? There are thousands of millions of euro to be saved in that area.

**Deputy Clare Daly:** What the budget says to me is that Ministers do not have a clue what it is like to live in the real world. That world is inhabited by so many families, people on social welfare, those who get up in the morning to go out and do their jobs who are earning less money than they did a number of years ago, those with dependent children, and those in need of health care or a roof over their heads. Every year we get a big fanfare about the budget and media hype around what will be in it, but I speak for everyone who managed to stay awake during the Ministers' speeches when I note that it was a somewhat underwhelming experience. Deputy Boyd Barrett called it "crumbs", but in fact it was an insult.

The Government has not even gone a fraction of the way towards undoing its own savage cutbacks, not to mind those of the crowd that went before it. The budget tells me that the Government has no idea of the savage economies people have had to impose on themselves just to stay afloat. Many people behind nice doors in nice housing estates in nice suburbs have not been out for a meal, cannot replace a pair of shoes and are traumatised when their children come home to ask about a school trip. They are worried about their cars breaking down. Onto the shoulders of these people the Government now wants to foist water charges. Even with the paltry €100 given back, those families will still be hundreds of euros worse off. The Government must really think people are stupid if it thinks they will fall for that.

We had to listen to the Ministers puffing out their chests and saying how great they were in dealing with jobs and prioritising getting people off the dole, but the question is what type of jobs those are. Is it the person in my constituency who had to take up a place on the Gateway scheme for €20 a week and ended up paying €15 in PRSI? Is it the young woman who was being paid €2.34 by a multinational company located in Swords for doing a full-pay job, or the man who sits at home waiting for a phone call on his zero-hour contract? Will the Ministers wise up? We live in one of the most unequal societies in the world. We have the second highest number of low-paid jobs, second only to America. We have a system which sees those at the bottom paying the highest taxes through the massive burden of indirect taxation. The people in the middle are being squeezed and those at the top are getting away with it. After today's budget, they will get away with it again.

It was a little sickening to hear the biggest cheers from the Government backbenches that the corporations would be left with their wealth intact, when they do not even pay a fraction of the paltry amount we levy on them. People such as Michael Taft have explained it accurately.

We are not even talking about the elephant in the room, which is what he calls taxes on living standards - the massive burden on people because of the State's failure to provide decent public services. These include crèche fees, transport costs, medicine costs and all of the other things. We need more than crumbs. We need to stand on its head the economic ideology of neoliberal capitalism and have a proper State-led investment programme to put people back to work. Of course, the Government will not do that.

The dogs on the street know that the Government has been fatally wounded with its antics of cronyism over the last while, and now with water charges. It thinks honestly that the budget can act as a bandage to patch up its wounds. It has that one wrong. All the Government has done with these minuscule concessions on water charges is to show up that it has been wounded. It should know that the people smell blood and are coming after it. I have been on the streets of the city for decades on various protests, but I have never been on a march like last Saturday's. It was the equivalent of 1 million people on the streets of London. They are not going back. The people liked it. They enjoyed themselves and it gave them confidence and hope, which is something that has been sadly lacking. I received an e-mail from a young woman in my constituency who was on the march. She has a husband and small children and is pregnant. She felt sick and exhausted after walking so much, but she was absolutely elated. In her e-mail she wrote:

I am not scared this time around. I can't afford to be. I've no more to give. I'd love Enda to live off mine and my husband's wages and manage on our outgoings and we do not even have any loans. I am just fed up of managing. Both of us work so we should be able to see something good at the end of the day.

Another constituent texted me when the Ministers finished to say "Budget 2015 - too little, too late. I'll be out on 1 November and there will be twice as many as were out last Saturday."

**Deputy Maureen O'Sullivan:** Tá rudaí dearfacha sa bhuiséad seo. N'fheadar cad a spreag na rudaí sin. Is ceist amháin é sin, ach tá ceist eile agam. Cén difríocht a dhéanfaidh an buiséad seo, go háirithe do dhaoine ar an imeall? The Minister spoke about the sacrifices of Irish people. There were sacrifices but they were disproportionate. There were certain groups which did the sacrificing and continue to do so, while austerity passed others by. The question is who is better off after today's budget.

One area of particular concern to me is housing. That is because there is a crisis in Dublin Central. It is a crisis this and the previous Governments knew was looming but they did not put enough procedures in place in time to prevent it from escalating. While there are initiatives in the budget, the question is whether they are more about property development than about solving the city's housing crisis. Public-private partnerships did not previously deliver to the benefit of ordinary people looking for homes, and there are a number of scars in the centre of Dublin which bear witness to that. Why are the measures not coming in now on land that is already zoned and serviced, as opposed to in a few months' time after public consultation? We are still awaiting the implementation of the Kenny report from 1973.

I note the additional €10 million for accommodation and services for homeless people. I ask that a proportion of that go directly to those organisations and groups on the ground that are delivering services directly to the homeless. Tonight, it is the voluntary groups that will be on the streets of Dublin to feed the homeless and provide them with clothes and other services. Another aspect of the homelessness issue is that homeless people in addition need roofs over their heads. While no one would dispute that, they cannot be put into the same accommodation

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as those in recovery from addiction. There is a major crisis in that and it will create further crises down the road.

On rent control and rent supplement, there is no point in capping the latter unless something is done about the former.

What is getting international attention is corporate tax. While the “double Irish” tax arrangement is being pushed away, that is happening gently, while other measures in the budget can neutralise the effect. I ask that there be transparency in relation to the 12.5% rate so that we know exactly what is being paid and collected. We should know at the very least that it is the full 12.5%.

I am part of the Oireachtas mental health group, which is hoping the commitments already made in respect of services, funding and employment will be met this time and that it will not be a catch-up on previous budgets.

Who has been left out of this budget? One group glaringly left out comprises young 18 to 24 year old unemployed jobseekers, particularly those from lower income sectors, some of whom have mental health issues, while others have addiction problems. Services for them suffered cumulative cuts of over 30% in the past few years. I do not begrudge the effort put into looking after the interests of farmers, small businesses and artists from the European Union, but where is the same interest for the 18 to 24 year old cohort who are becoming increasingly disaffected?

I note in the budget of the Department of the Children and Youth Affairs that additional funding will be provided for the improvement of child detention centres. Where is the money to prevent young people from going into these centres in the first place? The other day I was informed by one group I had met about the increasing number of mothers forced to put their children into foster care because of the lack of housing. Has the Government looked at the cost of providing housing, as opposed to providing foster care?

The increase in Garda, teacher and SNA, special needs assistant, numbers is very much welcome. However, these are increases on numbers that were cut. Accordingly, they cannot really be seen as increases because we have not gone back to the original complements.

The Christmas social welfare bonus matters much to those surviving on social welfare. They will receive a 25% increase which must be balanced against the cut in the top rate of tax. The budget was described to me as providing marginal relief for the majority but no major relief for those on the margins.

One positive measure is the maintaining of the ODA, official development assistance, budget, which is to be welcomed. The Minister stated the Government had set out a plan to regain control of Ireland’s fiscal and economic policies, yet an institution in America can tell our banks and citizens with whom they can do business. Irish citizens with any connection with Cuba can have their bank accounts closed in this manner.

We are told our debt is more sustainable. It is a debt we should not have in the first place. My yardstick is what this budget will do to reduce inequality. I do not have an answer on that question because it simply will not reduce inequality.

**Deputy Finian McGrath:** This budget should have been about our priorities as a society, one that cares about people, the disabled, children, the unemployed and senior citizens. It

should have been about inclusion and spreading extra available resources to the most needy in society. On the ground, I see many people who have been left behind, despite many years of extreme hardship. The Government simply does not get it. Last Saturday, nearly 100,000 people marched on the streets to protest about water charges and the tremendous hardship they will impose on families across the State. Today, in this budget, nothing changed for the people concerned.

In recent years we have seen the vital role played in society by people with disabilities. We also have seen, sadly, that 45% of people with disabilities experience income poverty, while 36% experience basic deprivation. As 85% of working age disabilities are acquired, households headed by people with a disability are twice as likely to experience unemployment as those headed by a person without a disability. This issue cannot go unaddressed; we need to reduce this income poverty. Over half of those living in jobless households are either children or adults with a disability. People with disabilities must not become the new underclass of workers but be afforded an adequate working wage. Further cuts to the numbers of respite day care and residential places are not sustainable. In this budget we must act to increase the provision for these services. I call for an assurance that all people with a disability will be guaranteed a quality service as a right. I also demand an end to all cuts to front-line services and the appointment of a new senior Minister with dedicated responsibility for disability inclusion. We need to prioritise the funding of disability services in line with the Taoiseach's and the former Tánaiste's solemn pre-election commitments to those with a disability.

Will the Minister pursue implementation of agreed measures, targets and timelines for disability services? Today, the chief executive officer of the Disability Federation of Ireland informed me:

Families of people with disabilities have been under assault for the last eight years. They were in a bad position before the recession and this budget was the Government's opportunity to demonstrate its commitment to people with disabilities and their families with a focused multi-annual plan. We are disappointed that the available funding has not been targeted to those who need it most urgently.

People with disabilities are hugely disadvantaged on poverty and deprivation ratings, and they have been left behind in budget 2015.

My colleagues have referred to the issue of water charges. Last Saturday, nearly 100,000 people were on the streets to protest against water charges because they are sick and tired of being hammered once again. The Minister for Public Expenditure and Reform referred to the burdens on the people. They have suffered a lot and enough. I note he also said there would be no new cuts to social welfare schemes. He needs to wake up. He has been telling us that there were no cuts in the past three years but now there will be no new cuts. He should ask the disabled and the unemployed about it. A jobseeking constituent of mine was on a Connect course and received a travel allowance of €5 to attend it. He had to travel from Darndale through Colock to Ballymun to attend the course, with the cost coming to €42 a week in bus fares. When he had difficulty attending the course, his benefits were cut off. These are the cuts being made on the Minister's watch and the cuts which are affecting people who need our support.

Then there are those pontificating about the rate of unemployment coming down to 11%. The level of unemployment in parts of Dublin city is at 25% and 26%, while there are major areas of disadvantage in other cities and towns. The Minister, Deputy Brendan Howlin, had the

neck to say:

As a Government, we have never believed in austerity for austerity's sake. I do not believe further cuts are necessary. Economic and employment growth has always been the best solution to addressing the fiscal deficit.

Members on this side of the House have been saying this for the past three and a half years, namely, that we need investment, jobs and economic creativity, not austerity.

*Sitting suspended at 6.50 p.m. and resumed at 7.20 p.m.*

### **Allocation of Time: Motion**

**Minister of State at the Department of the Taoiseach (Deputy Paul Kehoe):** I move:

That, notwithstanding anything in Standing Orders, the financial motions by the Minister for Finance shall, for the purpose of debate, be moved and decided together in accordance with the following schedule and the proceedings thereon, and on any amendments thereto, shall, in the case of each resolution be brought to a conclusion by one question which shall be put from the Chair not later than the times indicated as follows: Resolution No. 1 to conclude after 30 minutes; and Resolution No. 2 to conclude after 60 minutes.

**An Ceann Comhairle:** Is that agreed?

**Deputy Joe Higgins:** Yes, provided that we get a fair speaking time.

**An Ceann Comhairle:** It is like a debate on Committee Stage. Members can contribute in the same way.

**Deputy Joe Higgins:** Yes, as long as the Government Members do not take up the entire time and there is adequate opportunity for Deputies to speak.

Question put and agreed to.

### **Financial Resolutions 2015**

#### **Financial Resolution No. 1: Tobacco Products Tax**

**The Taoiseach:** I move:

(1) THAT for the purposes of the tax charged by virtue of section 72 of the Finance Act 2005 (No. 5 of 2005), that Act be amended, with effect as on and from 15 October 2014, by substituting the following for Schedule 2 to that Act (as amended by section 52 of the Finance (No. 2) Act 2013 (No. 41 of 2013)):

“SCHEDULE 2

RATES OF TOBACCO PRODUCTS TAX

(With effect as on and from 15 October 2014)

Description of Product	Rate of Tax
Cigarettes .....Cigars ..... .....Fine-cut tobacco for the rolling of cigarettes .....Other smoking tobacco .....	Rate of tax at-(a) except where para- graph (b) applies, €255.69 per thousand together with an amount equal to 8.85 per cent of the price at which the ciga- rettes are sold by retail, or(b) €289.98 per thousand in respect of cigarettes sold by retail where the rate of tax would be less than that rate had the rate been calculated in accordance with paragraph (a).Rate of tax at €295.350 per kilogram.Rate of tax at €273.177 per kilogram.Rate of tax at €204.902 per kilogram.

“

(2) It is hereby declared that it is expedient in the public interest that this Resolution shall have statutory effect under the provisions of the Provisional Collection of Taxes Act 1927 (No. 7 of 1927).

**The Taoiseach:** This resolution provides for excise duty increases on tobacco products with effect from midnight. The increase amounts to 40 cent, inclusive of VAT, on a pack of 20 cigarettes in the most popular price category together with *pro rata* increases for other tobacco products, with an additional 20 cent increase on a 25g pouch of roll your own tobacco. The price of a pack of 20 cigarettes in the most popular price category, assuming the increase is passed through to the final retail price, will increase to €10. The excise duty component of this price will be €6, and the total tax, inclusive of VAT, will be €7.87, which represents nearly 79% of the price.

The price and tax component of cigarettes in Ireland is among the highest in the EU. The high rates of tax prevailing here reflect the long-standing commitment of successive Governments to use taxation as an instrument to discourage smoking, especially among younger people. These increases will ensure the tobacco tax continues to play an important role in discouraging consumption of tobacco products.

The quantity of roll your own tobacco consumed in Ireland has nearly tripled since 2008, although it still represents a relatively small percentage of the tobacco smoked in Ireland. The additional increase in the tax on roll your own will bring the tax on that product more in line with that on cigarettes.

The Government recognises that high prices and taxes make Ireland an attractive location for tobacco smugglers. The Revenue Commissioners are very conscious of the threat this poses to legitimate business and to the Exchequer and have achieved considerable successes against the illicit trade in tobacco products over recent years. One measure of their success is the reduction in the amount of illicit cigarettes consumed in Ireland, from 15% of the total consumed in 2009 to 11% of the total in 2013. The Revenue Commissioners will continue to make tackling the trade in illicit tobacco products a key objective and the Government will ensure all legislative action necessary to combat the illicit tobacco trade is taken. The measure is estimated to

yield €6 million in 2014 and €53 million in a full year.

**Deputy Michael McGrath:** We will support the financial resolution. I have sympathy for the hard-pressed smoker who is addicted to tobacco and who has been hit time and again with excise increases. I support the objective of working towards a smoke-free Ireland and we commend the Government on adopting the strategy and implementing the policies designed to bring it about. We accept the increase will hit people in the pocket and the issue is whether adequate resources are being given to the Revenue Commissioners and Customs and Excise to deal with the importation, smuggling and sale of illegal cigarettes in this jurisdiction. That is depriving the Exchequer of vast sums of money and defeating the purpose of this initiative on public health grounds. If people still have access to cheap cigarettes, this is not a deterrent and will not incentivise them to try harder to kick the habit if they want to quit smoking. We support the resolution on public health grounds and it brings in more than €50 million in a full year.

Primarily, we support this on public health grounds because other measures have not worked. Consumption levels are decreasing but many young people are starting to smoke. Given the insidious nature of the product, if people start at a young age, the likelihood is that they will remain addicted for the rest of their lives. That is an horrendous outcome for many people and is primarily why we support the measure.

**Deputy Peadar Tóibín:** Tobacco causes serious societal and health damage throughout the State and has a massive impact on the health budget. I welcome the progressive moves by the Government with regard to trying to reduce the level of smoking within the State. Unless the measure is backed up with equal measures to stop smuggling tobacco, we will see a change from legally purchased tobacco to smuggled tobacco and the health impact we desire will not be met. One of my worries is that this may be a revenue raising stream.

It is also important to remember the large number of retailers in the State for whom this is a part of their product mix and one of the most important elements of footfall. The retail sector has lost many jobs over recent years. If the measure simply transfers the purchase of the product from the legal sector to the illegal sector, another section of enterprise will be badly hit. I welcome the positive moves to try to reduce the number of smokers but the Government must focus on both ends of the problem.

**Deputy Joe Higgins:** Every year, I oppose this measure. I do so again this year and I intend to call a vote. I oppose 40 cent added to the price of 20 cigarettes because it is monumental hypocrisy for the Government to pretend this is primarily a health measure. It is no such thing and it is yet another naked revenue grab under the cover of health. The same Government put the interests of the financial markets, the bankers and the bondholders above people's health over the past three and half years, as did its predecessor Government composed of Fianna Fáil and the Green Party. The Government has also seen serious problems for our ordinary people in the health care system, yet it has the audacity to pretend this major increase is in the interest of the nation's health. It is another austerity measure.

I detest the cigarette companies and the cigarette industry. The major cigarette and tobacco corporations have made incredible profits on the back of addiction, and have cultivated, promoted and thrived on addiction. Cigarette companies are ruthless profit seekers and should be opposed at every turn. In fact, they should be nationalised and taken into public ownership. Then, policies could be developed. The Minister for Health should listen for a change.

**Deputy James Reilly:** He is otherwise engaged.

**Deputy Joe Higgins:** I apologise, I am referring to the former Minister for Health. Long before it became a fact, I supported the banning of all advertising of tobacco products. I strongly support the plain packaging proposals, which I hope will be pushed through despite the obvious strong lobbying by the industry behind, and in front of, the scenes. I support genuine measures to help those addicted to give up nicotine. It is utterly hypocritical for the Government to walk in here today and state this is a measure to help people give up addiction to nicotine. The Government is as hypocritical on this issue as it has been on water conservation. It now has the audacity to argue that the onerous and savage water charges are to help conservation, when for 20 years, this Government and its predecessor did not lift a finger to ensure conservation of billions of litres of clean water-----

**An Ceann Comhairle:** We should return to the topic of cigarettes.

**Deputy Joe Higgins:** -----through measures that could have been taken in the building industry.

This is a tax on poor people addicted to nicotine and another attack on working class people who, unfortunately, are addicted to nicotine. It will make their life even more difficult and more of a struggle than it is currently. The Government has shown its hypocrisy in the issue by giving a break to a section of the alcohol industry in the budget and by not increasing the taxes on the major sector of the alcohol industry. If a rampant increase in price is a genuine measure to reduce consumption, one should consider that alcohol causes untold damage in this country. I am not a prohibitionist by any means and I am in favour of assisting people to use these drugs sensibly. I try to do that and we should all do so. The Government is exhibiting total inconsistency in its approach, which has exposed this as simply a revenue-grabbing measure.

This measure is in keeping with the entire thrust of the budget. While it pretends to be the end of austerity and reverse its effects, it is consolidating the horrific and savage austerity imposed over the past six years. This is a further measure in that regard, as are the savage water charges. Therefore, I oppose the measure.

**Deputy Billy Kelleher:** As our spokesperson on finance outlined, we will support this revenue-raising measure. We have had this discussion on numerous occasions and we had a debate last week in which I complimented the previous Minister for Health, Deputy Reilly, on the stand we are taking with tobacco, and particularly the promotion of a tobacco-free society. That is not just for this country and we must ensure Europe will get that message. There are powerful and influential lobbies in the tobacco industry, and I know representatives have contacted the Minister. I ask him to stand firm and ensure he does not give in on the principle of ensuring our citizens can be free of the scourge of nicotine and tobacco addiction.

This is a revenue-raising measure and to a certain extent we camouflage it by calling it a public health policy initiative. There is no doubt that if the price of tobacco is increased, it will encourage people to give it up. At the same time we must be conscious that when the price of tobacco is increased to a certain level, it attracts and encourages illegal trade. Having observed that trade, it is clear that in many cases the cigarettes smuggled in this country are not made illegally in a far-flung place but are manufactured by companies on the listed stock exchanges of the world. They are sold legally in one country but shipped illegally to our country. The idea that the cigarettes are made in the back rooms of a shanty town in the Far East and Asia is not

the case. The majority of these cigarettes are made by companies listed on the international stock exchanges.

This is seen as a public health measure but we need to encourage people to give up cigarettes and assist them in doing so. We must consider nicotine replacements and substitutes. There is no empirical evidence on whether such products assist people in giving up cigarettes but there is anecdotal evidence that people can stay off cigarettes longer by using nicotine substitution. Within the public health policy of encouraging people to give up cigarettes - this measure is meant to have that aim, although it is equally a revenue-raising measure - there should be a system in place to lighten the cost to an individual of giving up cigarettes. It can be quite expensive to give up cigarettes when one is buying nicotine patches or e-cigarettes. We should make tobacco more expensive but the *quid pro quo* should be to make nicotine substitution less expensive so as to encourage people in making the switch to something that is not as damaging to health.

We support the measure but as Deputy Higgins indicated, there are socioeconomic factors involved also. More people on low incomes smoke than those on high incomes, with more people with health issues in lower socioeconomic groups. This affects more severely those people in lower income groupings. By using medical cards or other supports, the HSE should in some way be obligated to assist and encourage people in giving up cigarettes.

**An Ceann Comhairle:** As there are seven other speakers, I ask people to be as brief as possible. There are only 13 minutes left in the slot.

**Minister for Children and Youth Affairs (Deputy James Reilly):** I will be as quick as I can but this is a matter that has been close to my heart for a long time. There are 5,200 Irish people dying every year in this country from tobacco-related illnesses, which is a staggering number. There are 700,000 Europeans dying every year from tobacco-related illnesses. This is the one legal product which, if used as prescribed by the manufacturer, will kill one of every two people who use it over a long period. Children are particularly price-sensitive and I have no doubt this measure will dissuade them from smoking.

People have discussed the illicit trade and statistics indicate that 90% of this trade is contraband rather than counterfeit. As Deputy Kelleher indicated, these products are manufactured by tobacco companies in other jurisdictions before being smuggled into Ireland. I want people to think long and hard before they drag long and hard. If a person has a cigarette that costs 50 cent, every time he or she looks at it that person could consider whether to use it then or wait until later. The smuggling rate has decreased from 15% to 11%. This measure will raise €53 million in a full year and €6 million this year alone. It is an important part of achieving a tobacco-free Ireland, which we hope to achieve by 2025. That will equate to less than 5% of people in the country smoking cigarettes.

I will not delay the House as Members know my views on the matter. There is a cost to our health service and our industries arising from tobacco, which causes ill-health, absenteeism and so on. There is also a cost to society. Tobacco causes pain, anguish and distress to individuals and families who must watch loved ones die from illnesses that would have been entirely predictable had they not become addicted to tobacco in the first place. I have heard people argue that this measure will disproportionately affect the working class: tobacco is one of the main reasons working class men and women die younger than other people. We must help them become aware of the problems of this drug - it is a toxic drug - and as Deputy Kelleher indicated,

we should help them kick the habit. The easiest action to take is to ensure people do not take up the habit in the first place. I pay tribute again to Mr. Gerry Collins and his family for the bravery he showed in making that series of advertisements before he died of lung cancer. To him and his family I say a heart-felt “thank you”. I do not know how many hundreds or thousands of lives their dad has saved. If one sees a person dying from cancer and watches him or her slowly disappear as he or she becomes increasingly emaciated, if one looks at an individual whose lungs are so wrecked that he or she cannot walk from A to B without using an oxygen cylinder and if one sees people who have had strokes or heart attacks, have been left paralysed or have lost limbs as a result of the effects of peripheral vascular disease, one will be aware of the impact of tobacco. What I have described are just some of the things this horrible drug does.

Deputy Joe Higgins outlined his support for plain packaging, which I welcome. He also referred to the tobacco industry, an industry we do not have in this country. We are not anti-smoker but anti-smoking. As stated, we want to prevent people from taking up the habit. I have yet to meet a smoker - I include those in this Chamber who smoke and those who tend to represent smokers - who wants his or her children to take up the habit. Deputy Billy Kelleher was absolutely correct when he referred to the power of the tobacco companies and their absolute determination to undo the efforts of the Government and Members across the House to have a tobacco-free Ireland by 2025.

I commend the measure to the House. It is progressive, will help to fight the scourge of tobacco and protect children into the future.

**Deputy Jerry Buttimer:** As Chairman of the Joint Committee on Health and Children, I take the opportunity to voice my support for the measure before the House. This is a public health measure which is designed to ensure the tobacco industry will not have a veto on public health policy. It is also about sending a signal to the industry to the effect that we must protect children and those who want to give up smoking. That is why it is important that cessation and harm-reduction measures are put in place in tandem with this financial measure. The Minister for Children and Youth Affairs, Deputy James Reilly, has referred to the fact that smoking kills 5,200 people in this country and 700,000 throughout Europe each year. One in two people who smoke will die. It costs the State €500 million per annum out of the public health budget to deal with the effects of cigarette smoking.

As stated, this is a public health issue. It is about reducing the number of people who smoke, lessening the effects of smoking and ensuring no single person will have free reign to take up smoking. The tobacco industry has only one issue, namely, to recruit people to smoke. That is why Tobacco Free Ireland is a very important initiative. It is vital that we support the national office of tobacco control and work in tandem with it to deal with the issue relating to retailers. I hope consideration will be given to the subject of cessation, both in the context of tax reliefs and in terms of the establishment of a convention with retailers who might be of assistance in assessing the alternative products with which they might replace cigarettes in their shops. We must support them in their businesses. The House should support the measure before it, particularly from a public health perspective.

**Deputy Niall Collins:** I, too, support the motion. Part of the tone of the debate has been questionable. I refer, in particular, to the comments on the lower socioeconomic sections of society, to whom some Members referred as the working classes and stated the measure before the House was a form of discrimination against them. It is an insult for anybody to say this. The people in question are very discerning and know that smoking is bad for their health. To

say the increase in the excise duty on cigarettes is an attack on or discrimination against them by the Government or this Parliament is completely wrong and I would not like to be associated with the remarks made in this regard.

I echo the comments made by the Minister for Children and Youth Affairs, Deputy James Reilly, on the late Mr. Gerry Collins, whom the Minister complimented on the anti-smoking advertisement he filmed before he passed away and which is currently being shown on television. It is a powerful piece of advertising as to why people should not smoke.

In the context of the debate on the motion, it has been correctly stated the problem which arises is whether what we are doing will drive more people into the arms of those who conduct the illicit trade in cigarettes. That is the central concern expressed by most Members. Retail Ireland estimates the value of the illicit or illegal trade in certain goods, including tobacco, clothes, medicines, CDs, DVDs, etc., at €750 million per annum. Given that the Exchequer is missing out on this amount each year, we must ensure we get the balance right. Behind the illicit-illegal trade stands a huge gangland criminal network. We need to take on head on these forces of evil in our society.

Some of revenue that will be raised on foot of the measure before the House which will be the subject of almost unanimous support among Members should be used to provide An Garda Síochána with additional resources in order that it might tackle head on the forces of gangland criminality that are behind the illicit trade. If one walks up O'Connell Street or visits any of the fairs held throughout the county, one will be able to purchase illegal tobacco. This is a problem and we must provide An Garda Síochána with sufficient resources to take on the illicit trade. We must not drive more people into the arms of those who run the underground criminal network that is behind this trade.

**Minister of State at the Department of the Taoiseach (Deputy Paul Kehoe):** I support the measure before the House. I compliment the Minister for Children and Youth Affairs, Deputy James Reilly, who has responsibility for public health on the work he has done in tackling smoking in his current post and in the one he held previously. This is not just a money-raising exercise. It mirrors the action taken in the context of plain packaging and television advertising. The Minister referred to the advertisement filmed by the late Mr. Gerry Collins before he died. I take the opportunity to thank Mr. Collins and his family for it. The advertisement in question is very hard-hitting and I have no doubt that people who see it think twice about taking a cigarette into their hands.

A huge number of people smoke e-cigarettes. This is a matter on which I have commented in the past and with which I have no difficulty in dealing whatsoever. I would, however, like the Minister to regulate the sale of e-cigarettes and follow the example of other countries which have taken action in this regard. I received major criticism last year when I called for the regulation of e-cigarettes.

Deputy Niall Collins referred to the trade in illegal cigarettes. I acknowledge the great work done by the Customs service at Rosslare Europort in intercepting those seeking to import illegal cigarettes. I would like more money to be allocated to the Customs service and more personnel to be deployed there and at other ports throughout the country in order that we might stop the importation of illegal cigarettes.

**Deputy Finian McGrath:** I hold a completely opposite view and will be opposing the fi-

nancial resolution before the House. I firmly believe this is both a con job and a revenue-raising exercise.

**Deputy Eric Byrne:** Does the Deputy want to take the opportunity to declare himself as being a smoker?

**Deputy Finian McGrath:** Treating smokers like lepers, making us go outside into the cold and the rain or hitting us in our pockets will never work. Now many Members want to ban e-cigarettes.

**Deputy Paul Kehoe:** No, the Deputy is wrong.

**Deputy Finian McGrath:** Those who are trying to give up cigarettes use e-cigarettes to help them.

The Government needs to wake up and develop a broader health strategy. In the context of the financial resolution, I accept that such a strategy is required, but increasing the price of a packet of 20 cigarettes by 40 cent will not help because all it means is that €7.60 from each sale will go straight into the Government's coffers. No one should lecture us and state this is not about raising revenue.

**Deputy Simon Harris:** What is wrong with that?

**Deputy Finian McGrath:** Retailers, small businesses, etc., are worried about what is being done. This measure is what I call a "Nidge" tax. The criminal gangs are rubbing their hands together because they are going to make more money from smuggling in cigarettes than they will from bringing in heroin, cannabis or any other drug. The Government needs to wake up and smell the coffee.

**Deputy James Reilly:** There is no basis for what the Deputy is saying.

**Deputy Finian McGrath:** It is a fact, as the Minister should know.

**Deputy Simon Harris:** Where is the evidence for it?

**Deputy Finian McGrath:** Criminal gangs across Dublin city are up to their necks in the trade in illicit cigarettes and making huge money out of it. This is nothing but a "Nidge" tax.

**An Ceann Comhairle:** Three further speakers are offering. Is it agreed that they will each have one minute? Agreed.

**Deputy Peter Mathews:** This is a health issue, but the measure before the House is going to raise €53 million in revenue. Some of this money should be dedicated to screening for breast cancer among women in the age group up to 65 years.

**Deputy Jerry Buttimer:** It has been announced in the budget.

**An Ceann Comhairle:** Please, look at the time.

**Deputy Peter Mathews:** The police and the Customs people will need the resources to police the illegal cigarettes industry. As the Minister for Children and Youth Affairs, Deputy Reilly, has said, producing cigarettes is like producing a death product. Let us imagine cars were made without brakes and a person had to take his chances knowing that 50% of the users

in a certain amount of years were going to die for definite. We must stop this and a combination of various measures, including advertisements, increasing the prices, regulations on packaging and so on is the way to do it.

**Deputy Richard Boyd Barrett:** Smoking is a public health problem - I would not like my children to smoke and I say this as a smoker - but this will not work. This is a revenue grabbing exercise that will hit people who are already hammered and struggling yet again. The hypocrisy of the Government's position on the matter is shown by the fact that it has cut the health budget this year. I have double checked it since I said it to the Minister earlier. Last year, the Government allocated €13.3 billion while this year the figure is €13.1 billion.

**Deputy Simon Harris:** He is wrong.

**Deputy Richard Boyd Barrett:** The Government has actually allocated less. I appeal to the members of the Government not to tell us that this is about public health.

**Deputy Simon Harris:** He is not counting correctly. He has left out the capital spend.

**Deputy Richard Boyd Barrett:** This is about revenue gathering. Yet again, it is a matter of hitting the people who can least afford it. It will not make a whit of difference in terms of the public health issue.

**Deputy James Reilly:** There is a €300 million difference.

**Deputy Ruth Coppinger:** There has been a good deal of sanctimonious talk from the Government about health, but there is no ring-fencing of this money to take real measures to assist people to stop smoking or to reduce smoking in any way, shape or form. This is a revenue raising exercise. In the Budget Statement the Minister said: "The measures I have announced today will cost an estimated €585 million next year, and this has to be paid for. So, with effect from midnight tonight, the price of 20 cigarettes will increase by 40 cent". In other words, there is nothing about setting aside this money to reduce smoking. What has anything said by Members on the Government side got to do with health?

The only real vote being called tonight on the budget is on this measure. In other words, this is actually a vote on the budget as well. People are sitting outside or at home watching on "RTÉ News: Nine O'Clock". It is important that people vote against this proposal since it is the only thing the Government has done. Unfortunately, it disproportionately affects working class people who have an addiction. The Government has no intention of doing anything about that with this money.

**The Taoiseach:** I thank all the Deputies for their comments. I assure Deputy Kelleher that no one in this House, I assume, is going to bend in front of the pressure or the lobby force from tobacco companies. A total of 640 million cigarettes were seized between 2009 and 2013. This year to date, almost 50 million cigarettes were confiscated and seized, including a seizure of 32.3 million in Drogheda, the largest seizure in Europe.

Almost 2,000 staff are involved in Revenue in an integrated tax and customs administration. They are not all associated directly with cigarette seizures but they do a range of things as part of their work in ports and customs and connected areas. They work in ports, airports and postal depots. They are supported by equipment and resources like scanners, extra machines and trafficking detector dogs. These resources are all revamped regularly.

The fiscal policy referred to is part of the overall health policy. Other elements include controls on the sale of cigarettes; permanent health warnings on packets; prohibition on tobacco advertising and the display of tobacco products in all retail outlets; prohibition on sponsorship; restrictions on the smoking of tobacco in public areas and places of work; prohibition on the sale of cigarettes in packs of less than 20; and health education programmes as well as actions by health professionals.

*8 o'clock*

Clearly, if there is an increase in excise duty it is an imposition on people and it is meant to be. As Deputy Reilly pointed out, no one wants to see their children take up this business. While tobacco smuggling is clearly a high priority for Government there is a reason behind this and it is not simply fiscal policy. As Deputy Reilly pointed out, when the racking cough starts and it cannot be gotten rid of people fade away physically, mentally and emotionally. Their lives are destroyed by virtue of this drug. Although the measure causes difficulty for a number of people the tobacco companies must have a new crop of bright young people every year to keep the conveyor belt moving and this measure is intended to inhibit that. I hope we can get to a smoke-free Ireland by 2025. From that point of view I commend the motion to the House and I thank the Deputies for their contributions.

Question put: "That Financial Resolution No. 1 be agreed to."

<i>The Dáil divided: Tá, 122; Níl, 22.</i>	
<i>Tá</i>	<i>Níl</i>
<i>Bannon, James.</i>	<i>Adams, Gerry.</i>
<i>Barry, Tom.</i>	<i>Boyd Barrett, Richard.</i>
<i>Breen, Pat.</i>	<i>Broughan, Thomas P.</i>
<i>Burton, Joan.</i>	<i>Collins, Joan.</i>
<i>Butler, Ray.</i>	<i>Colreavy, Michael.</i>
<i>Buttimer, Jerry.</i>	<i>Coppinger, Ruth.</i>
<i>Byrne, Catherine.</i>	<i>Daly, Clare.</i>
<i>Byrne, Eric.</i>	<i>Doherty, Pearse.</i>
<i>Calleary, Dara.</i>	<i>Ellis, Dessie.</i>
<i>Carey, Joe.</i>	<i>Ferris, Martin.</i>
<i>Coffey, Paudie.</i>	<i>Fleming, Tom.</i>
<i>Collins, Áine.</i>	<i>Higgins, Joe.</i>
<i>Collins, Niall.</i>	<i>Mac Lochlainn, Pádraig.</i>
<i>Conaghan, Michael.</i>	<i>McGrath, Finian.</i>
<i>Conlan, Seán.</i>	<i>McLellan, Sandra.</i>
<i>Connaughton, Paul J.</i>	<i>Murphy, Paul.</i>
<i>Conway, Ciara.</i>	<i>Ó Caoláin, Caoimhghín.</i>
<i>Coonan, Noel.</i>	<i>O'Brien, Jonathan.</i>
<i>Corcoran Kennedy, Marcella.</i>	<i>O'Sullivan, Maureen.</i>
<i>Costello, Joe.</i>	<i>Stanley, Brian.</i>
<i>Cowen, Barry.</i>	<i>Tóibín, Peadar.</i>
<i>Creed, Michael.</i>	<i>Wallace, Mick.</i>

<i>Creighton, Lucinda.</i>	
<i>Daly, Jim.</i>	
<i>Deasy, John.</i>	
<i>Deenihan, Jimmy.</i>	
<i>Deering, Pat.</i>	
<i>Doherty, Regina.</i>	
<i>Donnelly, Stephen S.</i>	
<i>Donohoe, Paschal.</i>	
<i>Dowds, Robert.</i>	
<i>Doyle, Andrew.</i>	
<i>English, Damien.</i>	
<i>Farrell, Alan.</i>	
<i>Feighan, Frank.</i>	
<i>Ferris, Anne.</i>	
<i>Fitzgerald, Frances.</i>	
<i>Fitzmaurice, Michael.</i>	
<i>Fitzpatrick, Peter.</i>	
<i>Flanagan, Charles.</i>	
<i>Flanagan, Terence.</i>	
<i>Fleming, Sean.</i>	
<i>Gilmore, Eamon.</i>	
<i>Grealish, Noel.</i>	
<i>Griffin, Brendan.</i>	
<i>Halligan, John.</i>	
<i>Hannigan, Dominic.</i>	
<i>Harrington, Noel.</i>	
<i>Harris, Simon.</i>	
<i>Hayes, Tom.</i>	
<i>Healy, Seamus.</i>	
<i>Howlin, Brendan.</i>	
<i>Humphreys, Heather.</i>	
<i>Humphreys, Kevin.</i>	
<i>Keating, Derek.</i>	
<i>Kehoe, Paul.</i>	
<i>Kelleher, Billy.</i>	
<i>Kelly, Alan.</i>	
<i>Kenny, Seán.</i>	
<i>Kirk, Seamus.</i>	
<i>Kitt, Michael P.</i>	
<i>Kyne, Seán.</i>	
<i>Lawlor, Anthony.</i>	
<i>Lynch, Ciarán.</i>	
<i>Lynch, Kathleen.</i>	

<i>Lyons, John.</i>	
<i>McCarthy, Michael.</i>	
<i>McConalogue, Charlie.</i>	
<i>McEntee, Helen.</i>	
<i>McFadden, Gabrielle.</i>	
<i>McGinley, Dinny.</i>	
<i>McGrath, Mattie.</i>	
<i>McGuinness, John.</i>	
<i>McHugh, Joe.</i>	
<i>McNamara, Michael.</i>	
<i>Maloney, Eamonn.</i>	
<i>Martin, Micheál.</i>	
<i>Mathews, Peter.</i>	
<i>Mitchell, Olivia.</i>	
<i>Mitchell O'Connor, Mary.</i>	
<i>Moynihan, Michael.</i>	
<i>Mulherin, Michelle.</i>	
<i>Murphy, Catherine.</i>	
<i>Murphy, Eoghan.</i>	
<i>Naughten, Denis.</i>	
<i>Neville, Dan.</i>	
<i>Nolan, Derek.</i>	
<i>Noonan, Michael.</i>	
<i>Ó Cuív, Éamon.</i>	
<i>Ó Fearghail, Seán.</i>	
<i>Ó Ríordáin, Aodhán.</i>	
<i>O'Dea, Willie.</i>	
<i>O'Donnell, Kieran.</i>	
<i>O'Donovan, Patrick.</i>	
<i>O'Dowd, Fergus.</i>	
<i>O'Mahony, John.</i>	
<i>O'Reilly, Joe.</i>	
<i>O'Sullivan, Jan.</i>	
<i>Penrose, Willie.</i>	
<i>Phelan, Ann.</i>	
<i>Phelan, John Paul.</i>	
<i>Pringle, Thomas.</i>	
<i>Quinn, Ruairí.</i>	
<i>Rabbitte, Pat.</i>	
<i>Reilly, James.</i>	
<i>Ring, Michael.</i>	
<i>Ross, Shane.</i>	
<i>Ryan, Brendan.</i>	

<i>Shatter, Alan.</i>	
<i>Sherlock, Sean.</i>	
<i>Shortall, Róisín.</i>	
<i>Smith, Brendan.</i>	
<i>Spring, Arthur.</i>	
<i>Stagg, Emmet.</i>	
<i>Stanton, David.</i>	
<i>Timmins, Billy.</i>	
<i>Troy, Robert.</i>	
<i>Tuffy, Joanna.</i>	
<i>Twomey, Liam.</i>	
<i>Varadkar, Leo.</i>	
<i>Walsh, Brian.</i>	
<i>White, Alex.</i>	

Tellers: Tá, Deputies Paul Kehoe and Emmet Stagg; Níl, Deputies Joe Higgins and Ruth Coppinger.

Question declared carried.

## **Financial Resolution No. 2: Refunds of Appropriate Tax to First Time Buyers**

**Tánaiste and Minister for Social Protection (Deputy Joan Burton):** I move:

(1) THAT for the purposes of providing for the refund of appropriate tax paid on deposit interest earned by first-time purchasers Chapter 4 of Part 8 of the Taxes Consolidation Act 1997 be amended by inserting the following section after section 266—

### **“Repayments of appropriate tax to first-time purchasers**

266A. (1) In this section—

‘first-time purchaser’ means a person, being an individual who, at the time of a relevant purchase, has not, either individually or jointly with any other person or persons, previously purchased or previously built directly or indirectly on his or her own behalf any other dwellinghouse or apartment;

‘relevant purchase’ means the conveyance of a dwellinghouse or apartment, on or after 14 October 2014 and prior to 31 December 2017, into the name of a first-time purchaser for use as his or her place of residence;

‘relevant savings’ means so much of the aggregate amount at any time of any relevant deposits held in the name of a first-time purchaser, individually or jointly with another first-time purchaser, as does not exceed 20 per cent of the amount of the consideration paid in respect of the relevant purchase by the first-time purchaser;

‘relevant savings interest’ means relevant interest paid, at any time in a period of 48 months ending on the date of the relevant purchase by a first-time purchaser, to the first-time purchaser in respect of relevant savings.

(2) Notwithstanding section 261(b), appropriate tax which—

(a) has been deducted from relevant savings interest paid to a first-time purchaser, and

(b) would not otherwise fall to be repaid under this section or any other provision of the Tax Acts,

shall be repaid to a first-time purchaser on the making of a claim by the first-time purchaser to the Inspector in that behalf.”.

(2) IT is hereby declared that it is expedient in the public interest that this Resolution shall have statutory effect under the provisions of the Provisional Collection of Taxes Act 1927 (No. 7 of 1927).

Financial Resolution No. 2 provides relief from deposit interest retention tax, DIRT, on funds used by first-time buyers to purchase a dwelling house or apartment for their private occupation from savings built up over a maximum period of four years. DIRT applies at the rate of 41% and is deducted at source by deposit takers, including banks, building societies, credit unions and the Post Office Savings Bank, from interest paid or credited on the deposits of Irish residents. The relief will apply from budget night and will provide a measure of assistance to first-time buyers in meeting the new loan to value rules which the Central Bank has announced will, subject to the completion of a consultation process, be introduced from 1 January 2015.

A first-time buyer is an owner occupier who has never been an owner occupier or part owner occupier of a residential property in Ireland or elsewhere. The relief is confined to DIRT which was paid on savings held in the name of the first-time buyer that are used towards the purchase of a home, up to a maximum of 20% of the purchase price of that home. Relief will apply to DIRT paid in the four years prior to the year of purchase. The scheme will apply in the years 2015, 2016 and 2017.

The amendment will insert a new section 266A into the Taxes Consolidation Act. The section will provide for repayment of DIRT suffered at any time in the 48 months prior to the conveyance of the home, on savings of up to 20% of the price of a house or apartment purchased by a first-time buyer for use as his or her place of residence. The scheme is being brought in by way of financial resolution and will have effect from today.

The new Central Bank regulations are currently out for consultation and the Central Bank will make a decision in this regard subsequent to this legislation. The relief will provide a support to first-time buyers in building up a deposit to buy their first home by providing relief on the DIRT on any deposit interest they have received as a consequence of building up savings for the purchase of the property.

**Deputy Billy Kelleher:** The Fianna Fáil Party welcomes the proposed measure as an acknowledgement of the pressures first-time buyers will experience in the foreseeable future. Last week, I raised the publication of guidelines by the Central Bank, on which discussion and consultation are taking place. A broader debate is required on housing policy, housing strategy,

the shortage of housing, ways to increase supply and action to make the purchase of a home affordable for ordinary people. Home ownership is a principle that is held dear by most people.

Many people were critical of escalating house prices in the past and argue that they brought about the economic crash. That it is necessary, only a short few years after the crash, to introduce policies to try to assist first-time purchasers of homes, indicates that the inflationary pressure on house prices in the capital may spread to the regions.

We all want a functioning and stable housing market. When one peels back the various layers, however, one finds that we still have a dysfunctional banking system. It is worth repeating that despite our membership of the Single Market and the euro, Irish banks are penalising their customers to the tune of about 2% in terms of excessive interest rates. The penal interest rates being charged by Irish banks have made the purchase of a home unaffordable for many. Having bailed out the banks and supported them through recent turmoil, the State has received little thanks. Banks are repairing their balance sheets by charging customers through the nose in terms of interest rates and reaping the benefits of increasing property prices.

The Government gives itself a pat on the back because the banks are returning to profitability but they are achieving this by nailing customers to the wall through criminal rates of interest, which currently stand at between 4.5% and 5%. Every time the European Central Bank cuts the interest rate Irish banks quietly issue polite press statements in which they decline to pass on the ECB reduction in their variable rates. The policies they are pursuing make it virtually impossible for first-time buyers to purchase a home. In the meantime, the Department of Finance sits on its hands and the Government allows itself to be slapped around by the very banks the State rescued. It is time something was done on this issue because we are on the same slippery slope again.

The Minister for Finance spoke earlier about meeting the fork in the road where paths diverge in the yellow woods. Many people have reached a crossroads. This welcome measure, which will cost the Exchequer approximately €2.4 million, will provide a small amount of assistance to first-time buyers. If the current inflation in house prices in Dublin persists, much more than this measure will be needed to help first-time buyers save a deposit of 20%. First-time buyers are at a serious disadvantage because they must compete with investors with access to cash who can get on the property ladder faster. We are asking the banks to support first-time buyers by passing on interest rate reductions as opposed to issuing fancy press statements applauding themselves for returning to profitability. They are doing it by extortion. We have an ECB rate of 0.15% but we are asking first-time buyers to march into a bank with a small bit of assistance from the State on DIRT interest retention return. The banks will say that it is a 4.5% variable rate regardless of what the European Central Bank charges. There is almost a 0% interest rate in Europe, yet we are charging 4.5%. Interest rates are going to increase over the coming years and the variable rate will also increase quite dramatically.

We should be strong on the housing supply issue so that we can get a functioning market. We should also have a discussion very quickly on the Government's view of the loan-to-value ratio guidelines that have been announced by the Central Bank. There is a consultation process and the Central Bank is independent. However, that does not mean that the Government should not have a view on the guidelines. This view should be expressed in here at some stage because it is fundamental and critical to giving people a sense of ownership and a stake in society. We have always encouraged home ownership, which is the one thing people yearn for. It is not just about getting on the housing ladder, but a value system giving people a stake in society. The

Government is turning a blind eye to the banks' extortionary tactics while trying to help first-time buyers. We welcome this provision but it is insignificant given the inflationary pressures creeping into the Dublin housing market, which are beginning to spread throughout the country.

We welcome this measure and support it but there must be a well thought out response from the Government, the Oireachtas and the people concerning the Central Bank's loan-to-value ratios. If we continue as we are with inflationary pressure in rents as well, investors will be back in the market getting good returns while outpricing first-time buyers. We will, therefore, be back to square one. The State is trying to support first-time buyers in a good, well-intentioned and meaningful way but it will have no significant impact on their ability to get on the ladder at the start. Therefore, this measure needs to be broadened out to a certain extent.

The measure will operate for 2015 and 2016, with savings accruing for the previous four years. If we keep going as we are, however, people will not have any savings. Their savings will be eaten into by the cost of rents in this city. The Department of Social Protection is trying to play catch up with rent allowance for people who are dependent on assistance for private rental accommodation in the capital city. That is because of the crisis in social housing. We are in this continual catch-22 situation, so have we learned anything?

For the past three or four years, it was considered almost evil to mention building houses again. Ballaghaderreen and some other parts of the country may not require houses but we do need houses quickly elsewhere. There should be a proper policy response to this matter, but it has not happened. In fairness, there was an acknowledgement in terms of the 80% windfall tax. I hold no truck with developers or builders who make loads of money, but the problem is that without them we cannot build houses. The State certainly cannot build them because, to date, it has failed miserably to do so. There is a need for proper policy responses. In his Budget Statement, the Minister for Finance said the windfall tax might encourage people to bring land to the market for development stage. Such measures are welcome and will be discussed but they are quite a way down the road, so we should be conscious of what we are doing.

First-time buyers are having difficulty buying houses and paying for them, even though the interest rate - which is high compared to the ECB's lending rate - is at a historically low level. Over the term of a loan, it is always hardest to meet one's repayments for the first seven to nine years. No doubt, we will have interest rate rises in the coming years. The German economy will not be stagnant forever and there will surely be some growth in the European economy over that time. The very minute there is some inflationary pressure in the German economy, I can guarantee the Tánaiste - she is an accountant who has studied economics - that there will be interest rate increases immediately to respond to such inflationary pressure. People here will then be out of kilter with the broader European economy due to huge borrowings and rising interest rates. We should act quickly and with steely determination to ensure an adequate housing supply, thus reducing the pressure on first-time buyers.

We welcome the measure. I would like to go on longer but I know this is an important issue to which many Deputies want to contribute. The Minister can divide the sum of €2.4 million any way she likes but it is a finger-in-the-dyke move. An awful lot more is needed to ensure that our first-time buyers have a start. They must have an opportunity to play a meaningful role in society.

**Deputy Peadar Tóibín:** While I welcome this measure in principle, I shake my head in despair over the lack of resources and the Government's lack of focus on the housing crisis,

which is an unmitigated disaster. We are talking about a humanitarian crisis facing people. Last Friday, I got a phone call from a family who are on the streets and have nowhere to go because the council offices were closed. People are living in tents, cars or are couch-hopping from one relative to another. Some 89,000 people are on the housing waiting list, which is incredible. I am amazed that while the Government talks about a bright new dawn, a new recovery and turning the corner, it focuses so few resources on such a massive humanitarian crisis.

The Tánaiste is one of the major contributors to this crisis because she has capped rent supplement throughout the State. This has forced people to put their hands in their pockets and find other resources to bridge the gap or they will find themselves homeless. It does not make sense that rent supplement is divorced from rents. If the two are not matched, how are people expected to pay for accommodation? It is unbelievable.

Capital expenditure in the budget will create 2,000 new social houses. At that rate of construction, with 89,000 people on the housing waiting list, it will take over 40 years to deal with it. In Meath alone, there are 4,500 people on the housing waiting list. After two and half years, the budget may deal with housing in only one of the Twenty-Six Counties in the State. This budget provides for a €210-million increase in capital investment, which is less than 10%. It will provide an additional 1,500 new jobs. This is the so-called stimulus the Government meant during the fiscal treaty and the last local and general elections when it festooned lampposts with the word “jobs”. At this pivotal juncture of turning the economy, however, we have only the promise of 1,500 jobs from increased capital investment.

Lack of social housing construction is one of the major problems causing the numbers seeking accommodation to balloon. The Government has not used mechanisms that are at its disposal. It could, for example, use invest in different special vehicles which would be able to leverage the money and create far more housing for its buck. Cluid and other social housing organisations receive about 30% of their investment from the State and seek loans for the rest of the money. For every euro they receive they can invest €3 or €4 in houses, but this has not happened here.

One of the major problems in housing provision is the supply side. It is not being properly dealt with. One of the major breaks on the supply side is the same which pertains to enterprise in the State. That is because the banks will not provide the necessary funding for developers to be able to purchase the land and build the houses. Deputy Kelleher rightly spoke about the exorbitant interest rates, but the sad fact is that if one solved the interest rate crisis without solving the supply side crisis it would lead to further housing inflation. The supply side crisis has to be resolved before house prices and rents are reduced.

The idea that the windfall tax will be reduced to, I understand, 33% which is lower than the upper rate of tax makes no sense. It should be the same. Last year we saw a dramatic rise in DIRT to 40%, from 33%. This resolution shows that was not thought through with regard to young people who are trying to get onto the property ladder.

The answer to the crisis is not this dismal proposal. Rather, it is the State taking responsibility for social housing and resolving the problems on the supply side in the private housing sector. Until those two significant issues are dealt with we will see more people telephoning Deputies at 5.30 p.m. on a Friday looking for somewhere to live. People are living in cars and are bed-hopping. Until there is a match between the rent supplement provided by the State and the actual market price we will still see people forced out of their homes.

**An Leas-Cheann Comhairle:** I ask Deputies to be as brief as possible because many wish to speak.

**Deputy Ruth Coppinger:** While I support this measure, it is paltry. So are two other major housing measures introduced by the Government. The first is the 20% deposit requirement for banks, about which many people are up in arms, and the second are the budgetary measures taken today.

It is a pity the Tánaiste and Minister for Social Protection has left the Chamber because I wanted to discuss three harrowing cases of which I have had experience in my constituency. One case concerns a young woman who had a baby by caesarean section and was discharged from hospital with major scarring to live in a Travelodge with four of her other children. She was evicted the following weekend to make way for paying customers and has lived in three different hotels and hostels. I had to pay for two nights accommodation for her because the councils are not even providing emergency accommodation. Yet, the Government has come here today with no sense of urgency whatsoever about the housing emergency facing the State. There is a family living in tents in a garden in Dublin West and everybody saw the elderly couple evicted onto the streets by a bank which repossessed the property they rented for 15 years.

It seems as though anything we say on this side of the House is water off a duck's back to the Government because it does not seem to take any notice of the fact that a crisis is unfolding. Another measure the banking governors introduced, presumably with the approval of the Government, was the requirement for a 20% deposit for young people or first time buyers. We are all opposed to the speculation that was allowed to happen in the banking sector over recent decades. However, people who have come to me about the measure have said it means only rich children will ever be able to buy a house because their mothers and fathers who have resources will be able to lend them money. Ordinary people on low and middle incomes will not be able to do that. The ability to buy a house has now been put further out of the range of people. The banks should have been taken over to resolve this crisis. It should not have been passed on yet again to young people. Real measures are needed to deal with the blockage to people acquiring housing, but the measures introduced in the budget today are pathetic.

In today's measures the Government has dedicated €2 billion over four years for the building of new homes, which amounts to 10,000 houses over four years. Some 2,500 houses will be built next year. There are 100,000 people on the housing waiting list and 10% of the need will be dealt with in four years' time. Yet, the Government tells us it has ended austerity and that there is a recovery. It is incredible that it would act in this way. In 1975, 8,500 council houses were built at a time when the population was lower than it is now. In the midst of the largest housing emergency facing the State it is proposed to build a quarter of what was built then. Does that give the Government any idea just how meagre its proposals are?

The Government hopes to achieve its aims this by throwing lots more money into the hands of developers, landowners and landlords. It has given more tax breaks to landlords and land speculators, with the reduction in a windfall tax. There is no need for such a reduction. Sufficient land is zoned for housing in most of the areas of need. The problem is that no houses are being built but the Government has thrown more taxpayers' money in the direction of developers. Why did it not see fit, for example, to restore the cuts in rent supplement? It has been cut by 27% over four years, making six people a day homeless as a direct result. The Government may not see the connection but everyone else does. It said it did not cut social welfare, but it did nothing to restore those payments which means that, on average, people have to pay at least

€60 or €70 per individual in a house each week even though they are not working. The cuts have made people homeless and vulnerable to eviction.

The Government should take alternative measures to paying developers €250,000 from NAMA to drive around in nice cars in the hope they might start building houses, something which everybody knows has happened, relying on the private sector which has no interest in providing social and affordable housing because its interest is profit and profit alone and carrying on the ideological opposition to council housing. Very little of the housing proposed in the budget will be council housing. Rather, private housing will be provided by housing associations, which is not the same as council housing. They are charities which provide houses on the basis of selection, not waiting lists. It is a model more like those in the 1800s than those with which we all grew up.

We need emergency action to end the housing crisis. We need to nationalise the construction industry because there is no other way we can stop the logjam in the sector. The banks should have been taken over. Instead of fleecing people we could have provided housing for people's needs. Instead of paying, for example, €8 billion in interest on the debt this year, we could use the money to build 45,000 houses which would dramatically assist in the housing crisis and would put 45,000 back to work with real jobs, rather than JobsPlus, JobBridge and all the other measures proposed today.

Unfortunately, what is proposed is a drop in the ocean. We can only conclude that it is not in the interests of the Government or capitalism to end the housing crisis. It is clear the Government is delighted that mansions on Ailesbury Road are rising in price, that prices of houses in wealthier areas are increasing, that people at the top see their negative equity reducing and that banks will now be able to reduce their balance sheet losses. These are the facts that the Minister, Deputy Noonan, said indicated a recovery. Meanwhile, people at the bottom and in the middle have no hope of finding a home and nothing done in today's budget will change that.

**An Leas-Cheann Comhairle:** I now call Deputy Tom Barry. As there are six speakers in this slot, I ask Deputies to be as brief as possible.

**Deputy Tom Barry:** I welcome the discussion on this resolution as it is a welcome measure. Simply, it offers full relief on tax on the savings of people who want to buy a new house and as it will run until 2017, it removes pressure from people and allows them time to look for a house. There has been some criticism in regard to the 20% deposit required from house buyers, but that measure brings equity to house purchase, makes people more resilient against interest fluctuations and makes them less likely to be unable to pay their mortgages.

The benefit of less financial pressure is underestimated. Most of us have seen people who signed up for mortgages in the past under desperate pressure. The 20% measure will slow down reckless bidding, reduce the possibility of future negative equity and any restructuring required in the future will not be as bad as it would have been otherwise. A short-term sacrifice now will lead to longer-term insurance. Policy in this area creates an environment where people can work. I take issue with the Member who said earlier that a 4.5% interest rate is extortionate. In 1996 when I got my first mortgage, it was at an interest rate of 7.7% for the first five years and we were glad to get that. One can now fix one's interest rate for ten years for a small amount of money, which provides certainty in regard to repayments.

The Member said that as a result of this new measure, interest rates will increase and that

rates should be fixed now at a low rate. An interest rate of 4% is a very low interest rate. I have been in business for 20 years and know that if one had a rate of 4% across the board for that time, that would give a good result.

**Deputy Billy Kelleher:** The ECB lending rate is 0.15%.

**Deputy Tom Barry:** If any person has a problem with a 4% interest rate, that person should reconsider buying a house.

I would much prefer to have a lower principal and higher interest rate than to have it the other way round. The suggestion has been made that property investors are doing well, but property investors have been losing money for the past decade and are still losing money, because the amounts they are receiving for their properties is less than what they owe to the banks. Therefore, they should not be criticised in that regard.

One would be forgiven tonight for thinking that this is just a Dáil for Dublin. I feel I represent the whole country, but there has been no mention of the other counties. Housing is as important an issue in Cork and Donegal as it is in Dublin.

**Deputy Joe Higgins:** Yes, it is a pity the Deputy did not realise that earlier.

**Deputy Tom Barry:** I am glad the Deputy recognises that because up to now I only heard him speak about Dublin. I am pretty annoyed about that. Welcome to the rest of the country.

**Deputy Peadar Tóibín:** I mentioned Meath.

**Deputy Tom Barry:** Rural Ireland will also benefit from this budget. Stimulus such as income averaging for farms for three to five years is significant and is also available to farmers who derive off-farm income from on-farm activities or diversification. We aim for an employment figure of 2 million and this will help significantly.

People who seek to criticise a stimulus that will help people buy houses are scraping the bottom of the barrel. One improvement I would seek in regard to this measure is for the discussion to be moved further in terms of the definition of a first-time buyer. In many situations people buy a house jointly initially and then singly. We need to discuss this issue because many elderly men and women are on their own and find they need to buy a house later on in life. We should try to help these people also.

**Deputy Billy Timmins:** I welcome this proposal, but I am always a little wary and suspicious of measures that are introduced to counteract negative publicity. Therefore, while I welcome this measure, I feel it has been introduced to counteract the negative publicity in regard to the Central Bank's proposed new lending guidelines. The same is true in regard to the measures introduced in the budget today to deal with the water charge crisis, once again a response to negative publicity. This is not a significant measure and just tips the cap to the housing issue. Deputy Kelleher mentioned the yearly cost of €2.4 million over the next few years. Will the Minister outline how the costs were calculated?

I would like to make a point regarding the windfall tax of 80%, which was introduced originally in a knee-jerk reaction. I understand that measure has not brought in even one cent since it was introduced. It was a crazy populist measure which was passed by this House.

I have mixed views in regard to rent supplement. In some areas of the country rents are

disproportionately high because, under the old health boards, the rent supplement in those areas was greater than in adjoining areas although under the natural scheme of things rents in those areas would have been lower. That said, I believe rent supplement should be almost town specific. It is difficult to go about reducing rent supplement on a broad basis due to the number of factors to be considered, such as housing supply, the numbers on the waiting lists and the demographics of an area. There should be no *carte blanche* to reduce rent supplement across the board. Traditionally, in some areas rents have been disproportionately and inequitably higher than in adjoining areas, due to the fact they were in a health board area where rent supplement was higher. It is important the Exchequer gets value for money in regard to the rent supplement.

The issue of lists was mentioned. I believe that if we are to address problems, we must know the situation. I represent a mixed rural and urban constituency where there is a housing crisis and a severe shortage of houses. That said, I am deeply suspicious in regard to how lists are formulated. An attempt made to deal with lists in regard to medical cards was hamfisted and caused problems, but we must try to draw up lists that can distinguish between housing need and housing desire. Different counties take different approaches. Our lists are large and have increased significantly, but we must be able to establish the true extent of need. I do not have confidence that the lists we have currently are accurate, but this does not take away from the fact that housing is required.

In regard to the proposal before us and the Central Bank regulations, I believe the 20% deposit requirement for first-time buyers is too high. I believe the problem lies at the other end, the value of the house. The property difficulties we have had over the past decade were not because of a property bubble, but a money supply bubble. There was too much money available. We must try to address the difficulty in that context. I and my colleagues in the Reform Alliance produced a policy document entitled Fair Value, which we submitted to the Central Bank and the Minister for Finance. We will resubmit it to the Central Bank.

This document proposes we should establish a historical relationship between the average house price and the average income. In a stable economy, the average house price should be a certain multiple of the average income, whether four times, five times or six times that income and this price should be used to calculate the loan. We want to stop banks giving out moneys indiscriminately, moneys taxpayers have had to pick up the tab for over the past decade. Some will argue that this gives cash buyers a significant advantage over people who must borrow. Unfortunately, such a situation is a sad fact of life. If I go to a garage to buy a car, I am in a better position with cash in my pocket than someone who needs to borrow money. If I have cash in my pocket, it is easier for me to go on holiday than someone who needs to borrow.

The same is true in regard to housing. However, I believe housing is a right. It is difficult to address inequality, but we must try to address inequality of opportunity. We can do this in two main ways, through education and through the provision of housing. The new Minister for the Environment, Community and Local Government has not outlined his new housing policy in detail, but I believe policy is moving in the right direction, based on the headings outlined. I have, however, a concern regarding an issue mentioned by another Member, namely, the number of houses built in the mid 1970s. By and large, the standard of social housing built in this country throughout the 1970s and 1980s is a disgrace. We are all familiar with this housing in our constituencies. We must look again at our model of social housing. My concern is there will be a rush by the Government in order that it can come along in 18 months and say it built 2,000 or 3,000 units of housing. That will not solve the problem. Many of our social problems have been created by the type of housing ghettos we have. We are all familiar with the terraces

of ten or 20 houses, with the last three or four having upstairs apartments or flats, which elderly people or lone parents are often pushed into but which cannot be let out to a new tenant. The Government must seek to revamp such houses and move elderly people into single storey accommodation near the centre of towns.

We have to examine the model of social housing because the model we have produced to date has not been the correct one. That model has given rise to a hypocritical approach by many politicians and members of the public, who want social housing but, when it is proposed for an area, mount widespread opposition to it. The reason for this opposition, in some cases though not all, is not because people do not want to see others housed but because they do not have any confidence in the authorities to deliver housing that is adequate and sufficient, with the necessary facilities, green space and community facilities that should be a basic requirement.

When looking at these schemes, we have to cater for all needs. We cannot go along with the traditional concept with respect to these housing areas. The budget refers to €1.5 billion, to public private partnerships and to off-balance sheet schedules. That is playing with words and I am not sure it is going to work. However, if we only build one housing scheme in the coming years, I would like to see it done in a proper manner.

To conclude, I would like to see everyone encouraged to buy their own home and we must have a mechanism in place to achieve this. New regulations are being drawn up. These must be user-friendly and must enable people, no matter what income they have and particularly those who have been in social housing for 20 or 30 years, to purchase their own homes. Where there is home ownership, there is greater cohesion in society.

**Deputy Jerry Buttimer:** I welcome Deputy Fitzmaurice to the House and congratulate him on his victory in the by-election. I wish him a long tenure in the House.

This measure is of huge and positive assistance. It will encourage people to save and will reward responsible saving by first-time buyers. Where I agree with Deputy Timmins is that first-time buyers have a right to have the dream of owning their own home.

I am glad Deputy Tóibín is back in the House. I despair at times of the rhetoric of those in Sinn Féin. They are populist and they do not want to see anyone succeed except themselves. I ask them to look at themselves in the mirror and look at the policies they espouse and what they stand for.

**Deputy Peadar Tóibín:** The policies are costed in full.

**Deputy Jerry Buttimer:** They oppose the rights of citizens to aspire to have their own home and they put forward nothing-----

**Deputy Peadar Tóibín:** Aspirations are no good if there is no money.

**Deputy Jerry Buttimer:** They put forward nothing to help them. They abandon the people at the altar of populism every single time.

**Deputy Peadar Tóibín:** Why does the Deputy not read our budget proposal?

**Deputy Jerry Buttimer:** That will be their downfall. They got caught last Friday in Dublin South-West and they will get caught again in 2016.

14 October 2014

**Deputy Peadar Tóibín:** We had triple the Fine Gael vote in Dublin South-West. The Deputy should listen to the people.

**Deputy Jerry Buttimer:** I have been listening.

**Deputy Peadar Tóibín:** He has not been listening to the people of Dublin South-West. The Government has done nothing about the water charges. It is not listening. That is the problem. It needs to listen.

**An Leas-Cheann Comhairle:** Order, please, Deputy Tóibín.

**Deputy Jerry Buttimer:** I did not heckle Deputy Tóibín.

**Deputy Peadar Tóibín:** Deputy Buttimer is well able to heckle. He is one of the best hecklers here, for God's sake.

**Deputy Jerry Buttimer:** I have listened to the populism of those in Sinn Féin. I have listened to their empty rhetoric for too long. They peddle a load of baloney on the airwaves.

**Deputy Peadar Tóibín:** The Deputy needs to listen again.

**Deputy Jerry Buttimer:** It is time they got caught out. They lead people up to the hill and then they get caught and exposed. It is about time they came out and told the people the truth. They have no policy. They do not stand for anything. All they stand for is populism.

**Deputy Peadar Tóibín:** It is about time he listened to the people.

**An Leas-Cheann Comhairle:** I ask Deputy Buttimer to address the resolution.

**Deputy Jerry Buttimer:** I am doing that. Tonight, first-time buyers are able to save to have that first home, with the certainty that they will be rewarded by the State.

**Deputy Peadar Tóibín:** On what planet?

**Deputy Jerry Buttimer:** All of us agree, whatever our political hue, that we have a housing crisis in our country and that we need to build more houses. This is a Government which has put in place a plan to do so. In response to Deputies Coppinger and Tóibín, I accept we would all love to be able to click our fingers on a Friday at 5.30 p.m. for the person who comes into our office with a social housing need. It is not just their offices such people come into; they come in to all of us.

**Deputy Peadar Tóibín:** It is not about clicking fingers. It is about putting investment in place.

**Deputy Jerry Buttimer:** The difference between the Opposition and the Government is that we put forward a plan to help them.

**Deputy Ruth Coppinger:** What is it?

**Deputy Peadar Tóibín:** It is an embarrassment. That is what the plan is.

**Deputy Jerry Buttimer:** The plan is predicated upon the fact that we need to recognise that, for 20 years, we did not have a social housing policy by Governments. It was abandoned on the altar of the developer and the construction industry, and we allowed it to come to a stop.

**Deputy Billy Kelleher:** This sounds like a great plan.

**Deputy Anthony Lawlor:** What about Part V?

**Deputy Jerry Buttimer:** If we look at the figures for social housing built under Fianna Fáil's tenure in government, Deputy Kelleher would have to admit it was an abject failure on its behalf.

**Deputy Billy Kelleher:** I categorically deny that.

**Deputy Jerry Buttimer:** We need land to build houses and we need people to construct them. What we need is a construction industry that is normalised and that is free from the shackles-----

**Deputy Billy Kelleher:** Free from nonsense.

**Deputy Jerry Buttimer:** And free from nonsense - I agree. This is in order that we can build quality housing. We need to encourage the supply of houses. If we look at the figures on what was built last year, fewer than 9,000 units were built when we should be building 25,000 or 30,000 per annum.

I point out to Deputy Coppinger that we have to create a sustainable property market. I do not fly the flag for those living in mansions on Ailesbury Road. I have never been in one and I have no desire to go into one. I represent the person who is struggling to live life every day, who is in negative equity because of the policies pursued by a Government that went from boom to bust.

**Deputy Joe Higgins:** The Deputy does not represent them. He has done nothing for three and a half years.

**Deputy Ruth Coppinger:** How can he say that after this budget?

**Deputy Jerry Buttimer:** Deputy Higgins does not own the people who come into his office.

**Deputy Joe Higgins:** They have done nothing for three and a half years.

**Deputy Jerry Buttimer:** Many of us in this House are working with the Government every day.

**Deputy Peadar Tóibín:** They are hammering the people.

**Deputy Jerry Buttimer:** Where Deputy Higgins and I disagree is that we on this side of the House put forward policies to bring about change, where people can live and can buy.

**Deputy Ruth Coppinger:** They do not. They have done nothing.

**Deputy Jerry Buttimer:** That is why this Government will deliver. That is why we will have a sustainable housing policy that will deliver to people. I accept it is not as fast as some of us on this side of the House would like.

**Deputy Ruth Coppinger:** They have not delivered anything.

**An Leas-Cheann Comhairle:** I point out that time is short and other Deputies would like

to speak.

**Deputy Jerry Buttimer:** I accept that.

**Deputy Peadar Tóibín:** Is Deputy Buttimer speaking about the same budget as the one we all heard about today?

**Deputy Jerry Buttimer:** Deputy Tóibín is embarrassed by what happened last Friday when Sinn Féin got caught out. It is about time that party was exposed for the shallow policies it has pursued for three years of opposition - against nothing, for nothing and standing for nothing.

**Deputy Peadar Tóibín:** The Deputy should be Minister for fairy tales.

**An Leas-Cheann Comhairle:** Thank you, Deputy Buttimer.

**Deputy Jerry Buttimer:** I will conclude on this point. With regard to first-time buyers, I hope there will be engagement with the Central Bank consultative process.

**Deputy Billy Kelleher:** We have a view on that.

**Deputy Jerry Buttimer:** The 20% issue is one that requires engagement. I am conscious that some people feel the 20% may be too much for them. In saying that, for the first time we have a Government with a housing plan and with a policy that will create houses, and which will work with different sections of the market to bring about a situation where we will have a sustainable housing sector into the future.

**Deputy Billy Kelleher:** Does the Government have a view on the Central Bank proposals?

**An Leas-Cheann Comhairle:** I call Deputy Dowds. As others wish to speak, I ask him to be brief.

**Deputy Robert Dowds:** First, I express my support for this measure. It is a small measure that is one part of the whole housing package that has to be delivered. It is very important in terms of the provision of private housing that we watch the situation to see if people can afford to purchase. If there are continuing difficulties in this area, it is very important that we make further interventions.

On the general issue of housing, I welcome the fact €2.2 billion is being set aside in the budget to address the chronic situation that exists for so many people. This will deliver a substantial number of houses next year and, in one way or another, it will deliver up to 7,500 houses in all.

*9 o'clock*

I wish the State could put more money into the direct provision of social housing. Given the debt borne by this State, I welcome the fact that the Government has devised various different models for acquiring finance to provide housing. Of all the issues we face at the moment, I would ask the Cabinet to keep a very close eye on how things are developing in housing, because it is absolutely essential that people are able to acquire housing regardless of whether they are dependent on social housing or private housing. We must get away from the current situation in which many people are unable to get housing or are living in situations that are totally unacceptable.

I represent a constituency that has land that was zoned for housing in the early 1970s but

is still lying idle. It is beside the railway that comes into Dublin from Munster and the Galway direction. If that land is not used, I am very keen to see severe penalties for those who are sitting on that land. I ask the Cabinet to see that land is not being hoarded and that it is used for housing, where that will be of benefit to the local community and city.

**Deputy Anthony Lawlor:** I welcome the innovative measure that has been put forward this evening. Such innovative measures, however small, send a signal that the Government is trying to assist young people who are looking to purchase their own housing. I am probably being very repetitive about the issue of housing because I keep going back to when I served in a local authority in 2000. I was the only member of the local authority who opposed Part V of the Planning and Development Act. Part V was a sop to Fianna Fáil's friendly developers. It allowed, supposedly, 20% of a development to be designated for social and affordable housing. Of course, people did not think there would ever be a crash. They thought the party was going to continue forever. When the crash came, no social houses were being delivered. What happened was that Fianna Fáil allowed local authorities to renege on their social duty to provide social housing unless it involved their developer friends. I am still totally opposed to Part V. At the time, Kildare County Council was acquiring 20% of any land that was being put forward for zoning. We were acquiring it so that the local authority would have a land bank on which to build houses, schools, playgrounds and amenities. That was a positive step. Unfortunately, the Minister of the day, Noel Dempsey, decided in his wisdom that this was not right, that local authorities should not be in the game of providing these facilities and that central government was the best way to do it. We see the consequences of that with all the people on the housing waiting lists at the moment.

There is a degree of scaremongering with regard to the consultative process proposed by the Central Bank, and the message probably has not been clearly stated. Most commentators are talking about a 20% deposit being required. To my mind, a requirement for a deposit of 20% should be used when there is overheating of the housing market. We do not have that overheating; we have a complete supply-side deficit, which is resulting in the current situation. I hope a message will go out that it is for public consultation and discussion and that the public should make its submissions. I will be making a submission on that.

I welcome the proposal to allocate €2.2 billion over the next three years to local authorities or housing agencies to build houses. I have said a number of times that the Department should consult with and write to local authorities to get them to become more proactive in getting their land banks ready through the Part 8 process, so that when funding is allocated to them they can actually start building houses. Many local authorities with greenfield sites are waiting for money to be allocated before they go through the process. We all know that the process can take a considerable period of time. I encourage the Minister to ask the Minister for the Environment, Community and Local Government to write to local authorities to get them to be proactive in getting their greenfield sites shovel-ready so that when the funding comes for the building of houses, it can be in place. I welcome this innovative measure. It will send a signal that we will try to help young first-time buyers in whatever way we can.

**An Leas-Cheann Comhairle:** Deputies Fitzmaurice and Bannon are offering to speak. I ask them to be brief.

**Deputy Michael Fitzmaurice:** Like the other Deputies, I welcome the proposal, but I think that as a nation we need to look at the entire housing scenario. First of all, we have a dysfunctional banking system. So many people have come to me who might have a certain amount for

a deposit but have gone to two or three banks and have been refused. One then looks at local credit unions. They were not the ones who took down this country. It was the dysfunctional banks that were bailed out. The credit unions today have to turn around and give 0.1% in places to lodge their money. Instead of looking at the EBS or whoever it is looking at with regard to new methods of lending money, the Government needs to look at the credit unions and give them the choice of having a wider banking system. Many credit unions have a lot of money in storage and it is costing them money to keep it there.

We have talked about social housing. There are 130 houses in one council area I know of that have been lying idle for the past three years. In city council areas and right around the country, there may be 4,000 to 5,000 houses lying idle that have not been let out to people. We should bear in mind that the Department of Social Protection is giving approximately €100 per week to people who are renting alternative accommodation, and this is paying for private housing. The Government needs to design a new housing strategy that will allow the Department of the Environment, Community and Local Government to do up these houses to the required standard for people to live in them. I have estimated that it would save the State approximately €30 million.

There are large tracts of land around the country that are owned by NAMA. A decision must be made to release this land, because the low- to middle-income people who are trying to put together the 20% deposit the banks are looking for need to have houses that are affordable when they are looking for a mortgage. These decisions need to be made rapidly. There are children from the country who are going to college in Dublin. A room in a house in Dublin can cost up to €600 per month. That is one room in a house. Families cannot afford that. We need to make sure we have a proper housing strategy.

**An Leas-Cheann Comhairle:** Deputies Bannon and Rabbitte want to make a contribution.

**Deputy James Bannon:** I very much welcome this measure and agree with the previous speaker. This country needs an effective housing strategy to tackle many things, particularly the substandard housing in rural Ireland. There are over 600 ghost estates throughout the country that are a scourge and a blight on the landscape. There is a housing crisis in Dublin and the other larger cities. This is not the case in rural Ireland. We need a strategy to help fill housing units in rural Ireland, particularly in the midlands, to the benefit of the local economy. Time and again we have moved the administration of functions such as the processing of SUSI grants to the capital city. Medical card applications are administered in Finglas. This brings people from rural Ireland to Dublin and puts pressure on housing stock and accommodation. The universities are located in the cities around the country. Athlone Institute of Technology is a fine college, but a university is needed in the midlands, where accommodation is cheap. Concessions should also be given to returning emigrants, many of whom would be happy to come back to their roots and live in local communities. Services need to be relocated from cities to rural Ireland. This would be a win-win for rural Ireland because the money would be spent locally in shops, restaurants and supermarkets, thereby improving the fabric of rural towns.

**An Leas-Cheann Comhairle:** I am sure the Deputy will be able to make that point in the budget debate.

**Deputy James Bannon:** In my own village of Legan six state-of-the-art three and four bedroom houses were built on one quarter acre sites. The company went into receivership and the houses were recently sold for €152,000 after the local authority had spent approximately

€200,000 in refurbishing the surrounds. They were sold at a knockdown price. We need an effective housing strategy to deal with this sort of issue. We also need incentive schemes to kick-start the purchase of property outside Dublin. There is a crisis in this city, but that crisis has not extended to rural Ireland, where one can still purchase good quality three bedroom houses for less than €30,000 closer than 100 km from the capital. Something needs to be done to revitalise rural Ireland. I hope the Government takes note of this.

**Deputy Pat Rabbitte:** I agree with my colleague, Deputy Robert Dowds, that this is a modest but positive measure which ought to be welcomed. For more than 20 years we have transferred our social housing needs to the private rented sector through a rental support system that has penalised people who want to go to work. We were importing workers to build apartments and houses for workers we were also importing. Nothing better highlights the folly of the policies we pursued than the conflicting contributions from colleagues in this city, in which there is now a housing shortage, and colleagues such as Deputies James Bannon and Michael Fitzmaurice, whom I welcome to the House, who pointed out that we built houses where there were no people. We have houses, but they are not located where they are needed. I am glad that the Central Bank and the regulatory system are doing what they ought to have done in the past, but, in respect of the figure of 20%, I hope there will be a genuine public consultation process because having a figure of 20% is going too far at this juncture in dealing with the housing problem. It is only recently that banks began to loan again to young people seeking mortgages and the terms announced by the Central Bank are probably going too far. I hope it will respond to the public consultation process that it has initiated.

A problem appears to have arisen in that the few builders who have been left standing are having difficulties in sourcing credit because of their past records with the banks. Presumably, while stress tests are under way, the banks are not too distressed - if I may use that term - about this because it helps their internal ratios if they do not have to loan money to the building sector. An understated proportion of the population of the country are now engaged in construction and it seems that we could reasonably double the proportion at work in the construction sector to meet existing demand. Vigilance and monitoring will, of course, be required, but we should not go overboard. There is a demand and we should do what we can to encourage it being met.

Financial Resolution No. 2 agreed to.

### **Financial Resolution No. 3: General**

**Deputy Richard Bruton:** I move:

THAT it is expedient to amend the law relating to customs and inland revenue (including excise) and to make further provision in connection with finance.

Debate adjourned.

*Written answers follow Adjournment.*

The Dáil adjourned at 9.15 p.m. until 10.30 a.m. Wednesday, 15 October 2014.