



DÍOSPÓIREACHTAÍ PARLAIMINTE  
PARLIAMENTARY DEBATES

**DÁIL ÉIREANN**

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

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# DÁIL ÉIREANN

*Déardaoin, 22 Samhain 2018*

*Thursday, 22 November 2018*

Chuaigh an Leas-Cheann Comhairle i gceannas ar 10.30 a.m.

*Paidir.*

*Prayer.*

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## Ceisteanna - Questions

### Ceisteanna ar Sonraíodh Uain Dóibh - Priority Questions

**An Leas-Cheann Comhairle:** I thank Members for arriving on time, which is in sharp contrast with what happened yesterday. I hope we can continue this practice in the next few weeks.

### Brexit Issues

1. **Deputy Michael McGrath** asked the Minister for Finance the work being undertaken by his Department and agencies under his aegis such as the Revenue Commissioners to prepare for all possible Brexit scenarios at the end of March 2019; and if he will make a statement on the matter. [48709/18]

**Deputy Michael McGrath:** The purpose of this question is to afford the Minister an opportunity to update the House on the work his Department and agencies under its aegis, especially the Revenue Commissioners, are doing to prepare for Brexit and particularly all possible scenarios in that context. We discussed this issue last month in dealing with Priority Questions and I hope the Minister can update the House on it today.

**Minister for Finance (Deputy Paschal Donohoe):** The Government welcomes the agreement reached between the UK and EU negotiators on a draft withdrawal agreement. However, it must be acknowledged that we are not yet at the end of this process and that uncertainties remain. Our priority now is to work towards the finalisation of the draft withdrawal agreement and the political declaration on the EU-UK future relationship.

The Government's contingency planning for Brexit was initiated well in advance of the

UK referendum in June 2016. To that end, co-ordination of the whole-of-government response to Brexit is being taken forward through cross-departmental structures chaired by the Department of Foreign Affairs and Trade. My Department, with the Revenue Commissioners and the Central Bank, is actively engaged in this work which has now been intensified. Our overriding approach is to be careful with the public finances in order that we can build resilience and continue to remain competitive.

With regard to the Revenue Commissioners, we took a number of key decisions in July and September on measures for the necessary checks and controls for trade on an east-west basis. An open recruitment campaign was undertaken in September and attracted more than 3,000 applications. Some 43 trade facilitation staff have been appointed since September and the Revenue Commissioners have informed me that they are fully on track for the first phase of 200 trade facilitation staff to be trained and in place working on a 24/7 basis by 29 March 2019. The recruitment and training of the remaining 400 staff are set to progress on a phased basis over the transitional period. All of the investment in IT has now been made to cope with the different options we may face.

The Central Bank has been actively engaged in the process. It is working to ensure financial services firms are adequately prepared. It continues to work with firms in seeking to ensure all authorisations required for post-March next year are in place.

**Deputy Michael McGrath:** There has been some progress, with 43 trade facilitation staff recruited by the Revenue Commissioners. I understand the training programme has a duration of five weeks and the Minister has confirmed that the Revenue Commissioners remain on target to have 200 extra staff in place by the end of next March. Presumably, this phase of the recruitment process will end next February to have all of the staff in place, which is welcome. Is the Minister giving a commitment that the recruitment process will continue or does it depend on the outcome of the negotiations? Given that it is based on the central scenario of a deal and a transition period, I assume the 600 staff will still be required in that context. Can the Minister give more detail on his reference to financial services and the risk which must be mitigated in respect of firms currently selling into Ireland on the basis of the passporting provisions? What assurance can he give that this issue will be dealt with in advance of Brexit?

**Deputy Paschal Donohoe:** First, I expect recruitment to continue across the period. As the Deputy mentioned, the key point is that it is based on a central case scenario of a Brexit transitional period being in place. That appears to be possible, but there is more work to be done. In addition, regardless of the eventual Brexit scenario, the United Kingdom is becoming a third country from a customs policy perspective. Therefore, the commitment we have regarding the 600 staff will have to be fulfilled. We have made progress on it, even since the last time the Deputy questioned me. On whether recruitment will continue, it will, albeit in a different way. Now that we have received 3,000 applications and built panels of civil servants from other Departments who may wish to work in this area, I expect us to move to the selection and training phase.

Regarding the work of the Central Bank, it has been actively engaged with financial services companies on how they can maintain access to and from the United Kingdom. From my engagement with these companies, it is clear that they have been working on this scenario for quite some time. An increasing number of them have established a presence in both the United Kingdom and Ireland to allow them to continue to operate in the Single Market, while also servicing their businesses in the United Kingdom.

**Deputy Michael McGrath:** I have been teasing out the latter issue through parliamentary questions. A significant amount of financial services activity here, consumer facing financial services, is based on the freedom of movement of services. Therefore, it is based on the operation of a branch or the passporting provisions. Avoiding any disruption will require a change in the regulatory status of some of these firms. Are these plans being put in place? Are firms changing their prudential regulation to Ireland and not just being regulated here for conduct of business purposes? We want to avoid a scenario where people in Ireland have, for example, insurance policies at the end of March 2019 that are invalidated because of the regulatory status of the firm they have bought that policy from. We need reassurance that in the area of financial services it will be seamless, because there can be no disruption on that issue.

**Deputy Paschal Donohoe:** We are seeing an increasing number of companies change their licensing arrangements so that they can fit in with the macroprudential and financial stability requirements of a post-Brexit European Union. There is still a considerable amount of work to be done in this area. From my engagement with the Central Bank, I am very confident that it is doing all that can be done on this. My message is that we do need financial services entities, as is the case in the rest of the economy, to engage with the Central Bank to ensure the right work is in place in advance of March. While much of that work is under way, there is still a fair bit to be done. I am regularly updated on these matters directly via the Central Bank and we also have a financial stability group in place, which includes the Central Bank and the Department. The group provides the regular reporting mechanism by which I am updated on this and other Brexit issues.

### **Mortgage Arrears Proposals**

2. **Deputy Pearse Doherty** asked the Minister for Finance the reason the commitment in A Programme for Partnership Government to amend the code of conduct on mortgage arrears has been broken in view of the widespread existence of vulture funds as owners of credit. [48683/18]

**Deputy Pearse Doherty:** Last week the Cabinet announced a major climbdown when it said it would not be amending the code of conduct on mortgage arrears. This was a promise in the programme for Government and it was a commitment given by the Minister's predecessor to me which has now been abandoned. Will the Minister explain to this House why he has abandoned or broken this promise given by his predecessor to amend the code of conduct to deal with the issue that vultures are now holding on to more and more loans of family homes and buy to lets?

**Deputy Paschal Donohoe:** A Programme for a Partnership Government made a number of commitments in the area of "Protecting & Promoting Tenancy Rights and Home Ownership". Specifically in respect of the code of conduct on mortgage arrears to which Deputy Doherty refers, there is a commitment to "work with the Central Bank to amend the Code of Conduct on Mortgage Arrears to include an obligation on providers of mortgage credit to provide a range of sustainable arrears solutions". As Deputy Doherty will be aware, in March this year I requested the Central Bank of Ireland to carry out a review of the code of conduct on mortgage arrears, otherwise known as the CCMA, to ensure it remains as effective as possible.

I published a very detailed and comprehensive report last week. In carrying out the review, the Central Bank sought the views of consumer representatives and advocates who are work-

ing to assist borrowers in financial difficulty. They engaged with statutory bodies and industry stakeholders. The bank conducted inspections of one retail credit firm, two credit servicing firms that represented 79% of principal dwelling home loans serviced by credit servicing firms, and one bank. Finally, the Central Bank gathered and analysed data relating to arrangements being considered and being put in place by banks and other entities.

As the Deputy can see, the report was specifically examining the treatment of mortgage loans by banks and non-banks to which the Deputy refers. No evidence was found that borrowers whose circumstances have not changed are being moved off existing arrangements by credit servicing firms who act on behalf of so-called unregulated loan owners during the term of the arrangement. Furthermore, there is evidence that such entities are considering more arrangements within their suite of arrangements under the CCMA compared with banks and retail credit firms but the report does observe that banks and retail credit firms are putting in place a more diverse range of such arrangements. It is important to note that retail credit firms and unregulated loan owners account for a significantly higher proportion of accounts in arrears in the 720 days past due category, so this could account for differences in the range of arrangements that unregulated loan owners are putting in place.

**Deputy Pearse Doherty:** The whole point of the commitment given was that the code of conduct had to be changed because of the new environment where vulture funds owned loan books including family home loans. It was the bare minimum change required and it has been spectacularly dropped by the Government.

This week in a reply to a parliamentary question to me the Minister confirmed that no firm has been sanctioned to date for a breach of the CCMA. There have been tens of thousands of mortgage cases over recent years and not one firm has been sanctioned. Perhaps the Minister believes that is evidence that the code works. My take on it is that it is evidence that the code is not robust enough and is not fit for purpose.

It is two and a half years since the former Minister, Deputy Noonan, stood exactly where the Minister stands today and told me: "I am willing to review it again to make it mandatory on lenders to provide the more effective of the range of options that are now in the system to their borrowers." He went on to say: "I can confirm that in conversations around the time of the negotiation of the programme for Government there was an agreement that we would continue to have the code of conduct on a statutory basis and that it would be extended to cover certain options that borrowers are not statutorily bound to offer." That is a Fine Gael promise to make it compulsory for vultures to offer split mortgages and mortgage-to-rent that has been abandoned. That is wrong because people are very concerned that the suite of options available is not being implemented. We still see today the thousands of people in mortgage arrears. In my home county there are 1,200 people in arrears for a quite a long time, yet these vultures do not offer split mortgages or mortgage to rent. That was promised and has been abandoned. Will the Minister explain why he is letting vultures off the hook in this regard?

**Deputy Paschal Donohoe:** As I explained to the Deputy, this was a matter for the Central Bank to review. I asked that it review it, which it did. It came back with a very comprehensive assessment of how this issue is being dealt with inside the Irish mortgage market. I understand the anxiety and the concerns that people have when dealing with their mortgages on their homes. It is important to state the figures on how this issue has been dealt with in Ireland to date. At the end of 2012, the number of mortgages and loan accounts in arrears was 143,851. At the end of June of this year, it was 66,479. The number of mortgages in arrears has halved

from 18% to 9%, from just under 38,000 to just over 21,000. It has come down by a third. Every repossession is one that I wish was not happening. That is why we have a code of conduct for mortgage arrears. In 2015, the figure for repossession stood at 113, and then it went to 166. In 2017, it was 77, and for the first half of this year it stood at 18. They are the figures for non-bank entities. The figures for banks also show a trend where the number of repossessions is lower than expected, showing that we have a system that offers protection to people in great difficulty.

**Deputy Pearse Doherty:** The Minister likes to give the impression that he has rolled up the red carpet after his predecessor Deputy Noonan rolled it out for the vultures. A clear commitment was given, however, on ensuring that the code of conduct would extend to vultures mandatorily requiring them to provide a suite of options which included mortgage-to-rent and split mortgages. Of course they have to fulfil the terms of the agreement made on any loan that is sold to the vultures, but they do not offer that as a rule. They do not offer that to people who are in trouble. As we see more and more loans being sold while the Minister sits on his hands and allows State banks to sell their loans to the vultures, we will see more legal routes taken. That is without doubt.

AIB has announced that it will sell another €1 billion worth of loans which will end up in the hands of vultures. The Minister should do the right thing. He should not sit idly by. He should say very clearly that the State-owned banks should not be selling loans to vultures but that they should be doing the heavy lifting themselves, working through these loans on a loan-by-loan, case-by-case, basis, offering split mortgages and mortgage-to-rent and the full suite of solutions that the banks do not offer on what is allowed under the Central Bank's rules.

This is a commitment and much was said about this at the time of the negotiations for the partnership Government, which the Minister has completely abandoned. In abandoning it, he has abandoned homeowners whose loans are now in the hands of vultures.

**Deputy Paschal Donohoe:** The Deputy should let me speak about the commitments we have to the homeowners and deal with the figures for what has happened to restructured accounts in our economy and society since we began dealing with this great difficulty. The Deputy says I am sitting on my hands in dealing with this issue. Each year since the end of 2012, we have seen over 20,000 buy-to-let mortgages alone restructured. Over 100,000 mortgages for principal dwelling homes, PDHs, particularly family homes, have been restructured in the period. These are the figures and that is what has happened. It has happened because of the operation of the code of conduct on mortgage arrears. It has also happened because of the work of the Insolvency Service of Ireland which is engaging in an extensive advertising campaign to make clear to people who are in difficulty the support that can be offered to them. The Deputy well knows that, under the legal arrangement in place between the Government and the banks, I am not able to direct banks, even those in which the State has a shareholding, on the commercial decisions they make. He knows that is the nature of the arrangement in place with the banks. He knows that going down the path of political involvement in the operation of banks opens up further difficulty for them and those who depend on them for employment and investment, as well as in getting our money back from them. The figures for restructured accounts are clear. Accounts for over 100,000 homes, family homes in particular, have been restructured in recent years.

## NAMA Operations

3. **Deputy Michael McGrath** asked the Minister for Finance the status of the work of the National Asset Management Agency, NAMA; the expected surplus to be returned to the State; the way in which it will be used; when the agency will be wound up; and if he will make a statement on the matter. [48710/18]

**Deputy Michael McGrath:** NAMA is an agency that does not tend to be discussed here until controversies arise. I want to receive an update on its work, the surplus it is expected to return, the number of loans that remain on its books, when it expects to be wound up and what the Minister intends to do with the surplus he expects to be delivered.

**Deputy Paschal Donohoe:** It is expected that NAMA will substantially complete its work by the end of 2020-21. Over 2020 and 2021 it expects a surplus currently projected to be €3.5 billion to be available for return to the State. NAMA announced last year that it had redeemed all of its €30.2 billion in senior debt, which was guaranteed by the State. Since April 2018, it has commenced the redemption of its €1.6 billion in subordinated debt. Notwithstanding the successful achievement of repaying the State's contingent liability three years ahead of schedule, there is still a significant body of work yet to be completed by NAMA. While it is currently estimated that it will return a surplus in the region of €3.5 billion to the Exchequer, this surplus has yet to fully crystallise. It is important to note that the realisation of this surplus depends on the success of NAMA's ongoing deleveraging, its Dublin docklands SDZ programme and the residential funding programme. The final phase of its deleveraging will be slower, with few major sales, but it expects the final major sales to be completed by the end of 2018. The focus to 2020 will be on the Dublin docklands SDZ and residential delivery programmes.

NAMA was mandated in late 2009 to deal expeditiously with its acquired loan portfolio and obtain the best value from it. It has been very successful in achieving this mandate. It continues to de-risk its positions in order that, by 2020, the real estate and financial assets supported by NAMA funding will comprise a relatively small portfolio of liquid commercial and residential exposures. NAMA's end-of-life strategy is being considered actively, with the maximisation of the return of any surplus to the State in respect of these remaining assets.

**Deputy Michael McGrath:** On the end-of-life strategy, did the Minister state it will be the end of 2021 before the agency is wound up? My understanding until now was that the projected date for the winding up of the agency was 2020. The Minister might deal with that issue.

Will the Minister give me an update on the carrying value of loans that remain with NAMA? At the end of 2017, the figure was €3.2 billion, net of impairments. Approximately 10% of that portfolio was London based and 64% Dublin based, with the remainder based around the rest of the Republic of Ireland. Will the Minister update us on that issue? Will he advise me whether there is a crossover between NAMA and the new Land Development Agency? Does he intend to have a transfer of expertise and personnel? What relationship is there between the two agencies?

Will the Minister clarify the end date and the nature of the work that will be outstanding after NAMA's last loan portfolio is sold?

**Deputy Paschal Donohoe:** On the exact timing, the information I have is that the agency will have its work completed between 2020 and 2021. I expect the work to continue into 2021.

The Deputy asked about the remaining portfolio. I do not have any information that is more up to date than what the Deputy has just given me.

The answer to the Deputy's third question regarding the intersection between the work of NAMA and the work of the Land Development Agency, LDA, is that there are personnel who have worked in NAMA who will now be working in the LDA. In particular, I believe the new chief executive of the LDA has an extensive background in NAMA.

**Deputy Michael McGrath:** The surplus has to be put in the context of the crystallisation of losses of over €40 billion when the NAMA transfers went through from 2009 and 2010 onwards.

On the timeline, there is a need for clarity on the work NAMA will be undertaking from the date of the last portfolio sale which, if I heard him correctly, the Minister has signalled is likely to be at the end of this year. He is saying, however, that the agency will continue to operate until 2020–21. My understanding all along was that the agency would complete its work and be wound up by 2020. The Minister might clarify what the agency will be doing from the time of the sale of the last loan portfolio. Managing loan portfolios was its core function. What will it be doing from the last sale until it is wound up? The Minister mentioned the Dublin docklands SDZ and the delivery of other housing programmes.

**Deputy Paschal Donohoe:** I will deal with each of the Deputy's points in turn. We expect the final major sale by NAMA to take place by the end of the year. The work it will do up to 2020 will have two elements. The first will involve the delivery of the Dublin docklands SDZ, in which it plays a considerable role, and the delivery of a residential programme there and at a number of other sites. The second piece of work will concern how it will de-risk various positions in order that, by 2020, its assets, be they financial or State assets, will comprise a very small percentage of the total number of exposures with which it will have to deal.

There is work under way on the work NAMA might do after the sale. We are discussing the issue with the agency. As the Deputy knows, we have an agreement with the Commission on the point at which the agency will come to an end. We will be delivering on that commitment, about which I want to be unambiguous.

I am increasingly conscious of the amount of expertise and skills we have built up in the NAMA organisation. I want to engage in dialogue with the agency to determine how we can retain them for the State, if we can, while still meeting the commitment made to the European Commission which we will be honouring.

## **Agriculture Industry**

4. **Deputy Mattie McGrath** asked the Minister for Finance the status of his Department's statement of strategy 2017 to 2020, with specific reference to the continued availability of favourable terms for investment in primary agriculture, processing and marketing under the Strategic Banking Corporation of Ireland; and if he will make a statement on the matter. [48789/18]

**Deputy Mattie McGrath:** I am worried about the continuing availability of favourable terms for investment in primary agriculture, processing and marketing under the Strategic Banking Corporation of Ireland. I am asking this question in the light of the obvious concerns



about the potential impact of Brexit on the agriculture sector generally, the impasse concerning whether the favourable deal on the table will be accepted and considerable fears that the United Kingdom will crash out of the European Union. There are obvious concerns about the impact on the economy as a whole but particularly agriculture, from the smallest to the biggest farmers.

*11 o'clock*

**Deputy Paschal Donohoe:** The SBCI's goal is to increase the availability of appropriately priced, flexible funding to viable Irish SMEs, including agricultural firms. By the end of March 2018, there had been €972 million of SBCI-supported lending, supporting more than 24,000 SMEs and 129,000 jobs. The SMEs that received SBCI finance are from all sectors of the economy with 26% of loans going to the agriculture sector. The SBCI has a number of schemes in place specifically designed to support lending to the agriculture sector.

By the end of March, 7,842 loans totalling €203 million had been made to farmers under the agricultural investment loan scheme. This scheme continues to be available through Fexco and Finance Ireland. Finance Ireland has also teamed up with Glanbia to provide finance for the installation of on-premises milk tanks by dairy farmers.

In January 2017, the SBCI launched a €150 million agriculture cashflow support loan scheme for farmers, on behalf of the Department of Agriculture, Food and the Marine, to provide low-cost, flexible loans to farmers to support the primary agriculture sector in dealing with income and price volatility. The scheme provided unsecured loans of up to €150,000 for up to six years at an interest rate of 2.95%. The fund was fully subscribed by April 2017. By the end of December 2017, some €145 million of loans had been drawn down by more than 4,000 SMEs supporting 5,800 jobs under the scheme.

The scheme was supported by €11 million of EU exceptional adjustment aid and further €14 million from the Department of Agriculture, Food and the Marine.

**Deputy Mattie McGrath:** The number of applications for and uptake of grants indicates considerable angst, and banks are simply not lending. I appreciate that the SBCI offers a Brexit loan scheme in partnership with the Departments of Business, Enterprise and Innovation and Agriculture, Food and the Marine. However, the conditions do not make it readily accessible to many farmers. To apply for a loan a business must have fewer than 250 employees and a turnover of €50 million or less, which is too restrictive as can be seen from the figures set out by the Minister on applications to the end of 2017. It is too restrictive for ordinary farmers who are helping with the recovery in the economy and there are major concerns over Brexit.

Teagasc figures for 2016 indicate that the agrifood sector generated 7% of gross value added - €13.9 billion - and 9.8% of Ireland's merchandise exports, and provided 8.5% of national employment. There is considerable concern in the sector.

**Deputy Paschal Donohoe:** In recognition of the major importance of agriculture to the economy, we have put in place programmes and schemes such as this. As the Deputy will be aware, in budget 2019 I announced the future growth loan scheme to deliver loans of eight to ten years for longer-term investment. This is to cover both primary agricultural producers and food businesses. We expect the fund to be available in 2019 subject to legislation being passed by the Dáil. In the past two years in particular, we have put in place an array of programmes to provide additional support to all who are involved in Irish food and agriculture. The Deputy is correct in saying the schemes have specific criteria and terms, but that is because they are

loans. They have been successful and we have made a further loan scheme available for the sector next year.

**Deputy Mattie McGrath:** When employment in inputs, processing and marketing is included, the agrifood sector accounts for almost 10% of employment. In terms of its contribution to the national economy, Teagasc research indicates that the agrifood sector is one of Ireland's most important indigenous manufacturing sectors, accounting for employment of around 167,500 people. It includes almost 700 food and drinks firms that export food and seafood to more than 160 countries worldwide. Economic activity in the agriculture and food sector produces a far bigger return than equivalent activity in other traded sectors of the economy. This is because agrifood companies source 74% of raw materials and services from Irish suppliers, compared with 43% for all manufacturing companies. All of this demonstrates the clear necessity to maintain a firm financial commitment to the agriculture sector through all available State bodies and, in particular, because of the uncertainties associated with Brexit.

**Deputy Paschal Donohoe:** Despite the adverse move in the euro-sterling exchange rate, export sales of food and drink have increased by 6%. This reflects the quality of work by everybody involved in agriculture. Each of the budgets I have been involved in have built on the work of my predecessor, Deputy Noonan, in looking to put in place targeted support through both targeted tax measures and investment to support Irish agriculture.

I agree with the Deputy on the major challenge Brexit poses for farmers, particularly small farmers. This is why we have put in place the kinds of supports I have outlined. The Deputy will be aware of the large number of Brexit-ready seminars taking place throughout the country to inform everybody involved in the economy, including in agriculture, of the support available to help them deal with a changing world. The 6% increase in food and drink exports indicates what is being achieved collectively.

## **NAMA Loans Sale**

5. **Deputy Catherine Murphy** asked the Minister for Finance his understanding of section 172 of the National Asset Management Agency Act 2009; if he is satisfied that in the case of a NAMA sale (details supplied) the interpretation of section 172 of the Act was correct; if questions have been raised by him regarding the application of section 172 in this particular case; if NAMA has sought to clarify its interpretation of section 172 as it applied in this case; and if he will make a statement on the matter. [48727/18]

**Deputy Catherine Murphy:** In the case of NAMA's sale of Project Nantes is the Minister satisfied that the interpretation of section 172 of the NAMA Act was correct? Were questions raised with the Department of Finance? Did NAMA engage with the Department on the interpretation in this particular case?

**Deputy Paschal Donohoe:** Section 172(3) of the National Asset Management Agency Act 2009 is a legal provision preventing assets held as security for loans acquired by NAMA from being sold back to defaulting debtors or persons acting on behalf of defaulting debtors.

To ensure compliance with this section, I am advised that NAMA has a policy of obtaining written confirmation from purchasers of NAMA-secured assets which confirms that, among other things, the purchaser is not a party precluded from completing the purchase by virtue of

section 172(3). I am advised that these section 172 confirmations are examined by NAMA during the later stages of a sales transaction.

Under section 7(2) of the NAMA Act, any person who intentionally, recklessly or through gross negligence provides false or inaccurate information to NAMA commits a crime. In addition, under section 6 of the Statutory Declarations Act 1938, it is a criminal offence for a declarant to make a declaration which is false or misleading.

The Deputy will be aware that section 9 of the NAMA Act provides that NAMA is independent in the performance of its functions and that I, as Minister, have no role in its commercial operations or decisions. It is not my role to become involved in the detail of NAMA's work, nor do I have access to detailed information regarding the assets securing the loans sold as part of the Project Nantes loan sale, which NAMA is prohibited from disclosing as such detail is classified as confidential debtor information. I am therefore not in a position to comment on NAMA's interpretation of section 172(3) for this or any other transaction.

**Deputy Catherine Murphy:** When the NAMA Act was introduced was it not up to the Department to set out the criteria? If that is the case, why did it not happen? If it had happened, there would have been a separation. Is the Minister satisfied about the aspect of full disclosure? Surely the Minister or his officials have engaged with NAMA on the matter, given that it is controversial. This is not about interfering in NAMA's commercial role, it is about the Minister satisfying himself that the Act is being applied properly. Was there any engagement between NAMA and the Department on this, either then or subsequently, to satisfy the Minister that there was no problem with the interpretation of the relevant section of the Act?

**Deputy Paschal Donohoe:** The Deputy is correct that the NAMA legislation lays out the objectives by which NAMA must ensure any transaction meets certain criteria. However, deeming whether the criteria are met is work for NAMA and it then has a relationship with the Comptroller and Auditor General on the oversight of its operations. That is where the key statutory oversight facility is. It is with the Comptroller and Auditor General. I will have to revert to the Deputy on the nature of correspondence or communication, if any, between my Department and NAMA but it will be in line with the relationship I described to her earlier. Furthermore, in relation to the application of section 172, I understand that NAMA has been engaged in correspondence with the Committee of Public Accounts and the Comptroller and Auditor General on this project. As part of this correspondence, NAMA has advised the committee that it undertook a review of the written confirmations and warranties received pursuant to this section in respect of the Project Nantes loan sale in 2012. NAMA advises that these written confirmations and warranties confirm that the borrower and purchaser were compliant with the requirements of the 2009 NAMA Act. NAMA also stated that following inquiries it had raised, it has been established that the party who has been identified as a director of the purchaser entity was not a NAMA debtor.

**Deputy Catherine Murphy:** I have just come from the Committee of Public Accounts to ask this question and it has been something we engaged with there this morning. As such, I am aware of the role of the Comptroller and Auditor General and the committee in relation to this. The Minister said criminal convictions apply if there is a false disclosure. Is he aware of any criminal conviction having been secured for failure to adhere to that provision? There is quite a bit of anecdotal evidence - and I accept that it is anecdotal - that people are in possession of properties to which loans were attached who were former NAMA debtors and they were not the people who purchased them. I am aware of some of those instances and would be surprised if

the Minister was not also aware of them.

**Deputy Paschal Donohoe:** I do not have the information available to me regarding criminal convictions or prosecutions but I can check to see what has occurred over the last number of years. As I have indicated to the Deputy and as she has recognised, the oversight relationship with NAMA, having regard to the performance of its commercial duties, is anchored in the work of the Comptroller and Auditor General. I have outlined to the Deputy the nature of the communication that has taken place from NAMA to the Committee of Public Accounts and the Comptroller and Auditor General and the assurances NAMA has provided to me on this matter. However, I note that it is now the subject of communication between NAMA and the Comptroller and Auditor General and it is ultimately the latter who will provide an evaluation of this transaction if there are any issues in relation to it.

### **Ceisteanna Eile - Other Questions**

*Question No. 6 replied to with Written Answers.*

### **Ceisteanna Eile - Other Questions**

#### **Tax Code**

7. **Deputy Pearse Doherty** asked the Minister for Finance if his attention has been drawn to the Revenue Commissioners' decision to end the unvouched disregard allowance for certain workers as of 1 January 2019; and if he will discuss this matter with the Revenue Commissioners and seek to have this decision reversed. [48597/18]

**Deputy Pearse Doherty:** I welcome the deferral of the terrible attack on the flat rate system but note that in his confirmation to me earlier this week, the Minister said the approach will ensure that any changes that may be made to the flat rate expenses regime will not impact on any specific group earlier than the rest. That is a clear indication that there is more to follow and that all of these changes should happen at the one time. Yesterday, we heard from the Taoiseach a suggestion that this may not happen. He said the measures would be politically proofed and that no change would happen before 1 January 2020, if at all. Can the Minister confirm the current position? He has indicated to me on two previous occasions that the review is complete under a number of headings and that what has been deferred is a decision which has already been made. Yesterday, however, the Taoiseach suggested the change may not happen at all.

**Deputy Paschal Donohoe:** I am advised by Revenue that the effective date for implementation of the changes referred to by the Deputy is being deferred to 1 January 2020. The intention is that Revenue will have completed the comprehensive review of all flat rate expenses by that date. As such, this approach will ensure that changes to the flat rate expenses regime do not im-

pact on any specific group earlier than the rest. I also understand that Revenue will be in contact with the relevant representative bodies in this regard. However, it is important to be clear that there has been no change to the general rule set out in legislation that all employees are entitled to claim a deduction under section 114 of the Taxes Consolidation Act 1997, or TCA, in respect of an expense incurred wholly, exclusively and necessarily in the performance of the duties of their employment to the extent that the expenses are not reimbursed by the employer. This means that all employees remain entitled to claim deductions for valid and specific expenses incurred.

Revenue is independent in the administration of the tax code and the flat rate expenses regime is an additional concessionary practice operated by Revenue where both specific commonality of expenditure exists across an employment category and the statutory requirement for the tax deduction, as set out in section 114 of the 1997 Act, is satisfied. The purpose of the regime is to simplify administration where the specific legislative criteria are met and help both the taxpayer and Revenue by making it easier for large groups of employees working in the same sector to avail of their entitlement to tax relief in respect of expenses incurred in the performance of their employment duties. Earlier this year, Revenue commenced a comprehensive review of flat rate expenses to ensure the expenses are still justified and appropriate to modern day employment and work practices given the historical nature of the practice and having regard to changes in employment circumstances, regulations and work practices across employments.

**Deputy Pearse Doherty:** The Minister may imply that nothing has changed, but the reality is very different. There is a reason we have this system. It is so that organised groups of workers can avail of their rights. That is why ICTU and Mandate are opposed to this. I commend their activism in that regard. The mechanism is now being taken from individual workers who were previously allocated these deductions as of right as a group of workers and who will now have to hold receipts and claim individually. It is a bureaucratic nightmare for those claiming as well as for Revenue which will have to process and check such claims. The Minister said Revenue was independent in the implementation of the tax code. While that is a clear statement of fact, I quote to him the Taoiseach's statement:

No changes will be implemented before 1 January 2020 if at all. I will make sure changes are politically proofed before they happen.

Can the Minister outline to the House what political proofing the Government intends to engage in on this? Why is the Taoiseach suggesting these changes may not happen at all? Has the review been completed in a number of sectors and has a decision been made in that regard, notwithstanding the deferral of its implementation, or is there a question mark, as outlined by the Taoiseach, over whether this will happen? What engagement has the Minister or his officials had with Revenue officials on this measure?

**Deputy Paschal Donohoe:** To date, this has been a matter being implemented by the Revenue Commissioners. On foot of the concern that developed on the matter in the early part of the week, Revenue made the decision on deferral. As to the proofing to which the Deputy referred, it is important that there is broader awareness of what is happening when work like this is under way. I welcome the fact that Revenue will contact representative bodies on the matter so that everyone is aware of what is under way. The Deputy will know that, because this is a tax relief, the Revenue Commissioners will have to consider that it is therefore worth more to people who are on higher rates of income tax. They will review this matter across next year. As I have said,

they have decided that any changes will be deferred until 1 January 2020.

**Deputy Pearse Doherty:** It has already been decided to end the flat-rate expenses relief system in respect of 75,000 workers in five categories. Those working in shops will be most affected by this decision. Will the Minister confirm to the House whether that decision still stands or is now subject to review? Will he outline whether any reviews have taken place in respect of workers outside the five categories to which I have referred? Have decisions been made in respect of those workers at this point? The Taoiseach asserted in this Chamber yesterday that he will personally ensure there is political proofing in this regard. Does that not suggest that this will ultimately be a political decision, as the Taoiseach clearly indicated in this House yesterday, rather than one that is solely in the hands of Revenue? Will the Minister deal with this issue in a transparent way by amending the Finance Bill as it makes its way through the Seanad to ensure any changes to the flat-rate expenses regime will require political proofing by means of the consent of the Houses of the Oireachtas?

**An Leas-Cheann Comhairle:** I will allow a short supplementary question from Deputy Michael McGrath.

**Deputy Michael McGrath:** The Minister needs to clarify whether this is a stay of execution or a review of what has already been decided. Will he tell us what Revenue found when it reviewed certain categories of employment? What was the outcome of that review? Was there any consultation with the representative bodies as part of that review? Is it Revenue's case that tax relief is granted in respect of a level of expenses which is greater than the level of expenses actually incurred? Is that what Revenue is saying? Is that its conclusion? The cost of moving to a new system, involving tens of thousands of individual claims by employees in respect of expenses wholly, exclusively and necessarily incurred in the performance of their duties, must be weighed into the equation as well. These key questions need to be answered.

**Deputy Paschal Donohoe:** The Revenue Commissioners commenced this review because they wanted to ensure this matter could be dealt with as effectively and efficiently as possible. They wanted to ensure the expenses agreed are still justified, are appropriate to modern employment and work practices, and are in accordance with the requirements of the Taxes Consolidation Act 1997. Arising from the review, there may be an adjustment to the quantum of particular flat-rate expenses. A decision on whether they should be increased or withdrawn is a matter for the Revenue Commissioners. As I have said, they have confirmed that their work is under way and that they will review where it stands for next year. Regarding the question asked by Deputy Pearse Doherty, I have not yet seen the amendment that the Deputy or his party may propose during the debate on the Finance Bill.

**Deputy Pearse Doherty:** I am asking the Minister to introduce an amendment.

**Deputy Paschal Donohoe:** I will not be in a position to agree to anything that might compromise the independence or operations of the Revenue Commissioners.

### **Film Industry Tax Reliefs**

8. **Deputy Richard Boyd Barrett** asked the Minister for Finance the measures he is taking or considering taking to prevent possible abuses of the tax relief such as artificial inflation of costs or failure to adhere to the requirement in the legislation for the provision of quality

employment and training in relation to section 481 tax relief in the film industry; and if he will make a statement on the matter. [48532/18]

37. **Deputy Richard Boyd Barrett** asked the Minister for Finance the way in which he defines quality employment and training in relation to section 481 tax relief for the film industry, access to which is conditional in the legislation and on the provision of quality employment and training; his views on whether such a definition should at a minimum require adherence to all relevant employment legislation (details supplied); his further views on whether a company proven to be in breach of this legislation should have this tax relief withheld; and if he will make a statement on the matter. [48475/18]

**Deputy Richard Boyd Barrett:** We had an extensive discussion on section 481 tax relief for the film industry when we were considering the Finance Bill. I am very keen to press the issue. The monitoring of the quality employment and training condition that applies to those who get this funding must be improved if we are to ensure quality employment in this sector is actually manifest.

**Deputy Paschal Donohoe:** I propose to take Questions Nos. 8 and 37 together.

As the Deputy has said, we have dealt with this matter at length in the context of the Finance Bill. I would like to reiterate briefly the key points I have shared with the Deputy. A significant change I am making this year relates to the potential for inflated claims. I am legislating to change the way companies claim the tax credit to provide that they will have to apply for payment of the tax credit under the self-assessment system. This will bring the operation of the credit within the normal penalty and prosecution provisions for incorrect claims. I am introducing a further amendment to the film tax credit as an important first step in addressing concerns that have been raised with regard to training. The splitting of the certification process between Revenue and the Department of Culture, Heritage and the Gaeltacht, and the requirement for the production company to apply to that Department before the commencement of the main production, will allow for earlier engagement on the training requirements associated with the credit. I am advised by Revenue that it carries out a comprehensive programme of outdoor compliance operations each year. Many of these operations are carried out on a multi-agency basis and can include officials from the Department of Employment Affairs and Social Protection and the Workplace Relations Commission. The primary role of the joint investigation units is to detect non-compliance, including non-operation of the PAYE system on foot of bogus self-employment.

**Deputy Richard Boyd Barrett:** I am glad to hear what the Minister has said. It would be a major step forward. I would like to get as much detail and information as possible on this. The allegation being made by some workers can be summed up by comments made by the SIPTU equity representative when he was asked about blacklisting in the film industry. He said:

People are terrified of rocking the boat in any way, shape or form when they are in a precarious situation in work. One of the questions on the survey asked whether respondents had ever experienced or observed any form of bullying or harassment. Something in the region of 65% to 70% of people said yes. The next questions asked if they reported it. Of that 70% of respondents who had said yes, roughly 70% said that they did not report it for fear of not getting the next job.

He went on to attribute this low level of reporting to the “precarious” nature of the industry.

If such a level of concern about blacklisting and being seen to rock the boat exists, that does not sound like quality employment to me. It is critical for us to design our approach to attracting the investment that is necessary in this sector in a way that ensures people who are employed in it are not vulnerable to the sort of thing that has been described.

**Deputy Paschal Donohoe:** We debated this matter in the context of the Finance Bill as recently as last night. The Deputy has acknowledged my intention to put in place legislative changes to try to make progress on this matter, which is of growing concern for many people within the industry. When the Finance Bill is being implemented across the passage of next year, I will be happy to engage with the Deputy on how the criteria are being applied. I imagine it will take a period of time for a sufficient quantity of applications to come through the system to enable us to see if the new approach is making a difference. It is realistic to hope that by the end of the first half of next year, we will have a sense of what kind of insights this process is yielding and what difference it is making to the kinds of concerns that are being articulated by many people.

**Deputy Richard Boyd Barrett:** There are many things that could be done, but I would like to focus on one of them in the short amount of time available to me. It would help if we had a clear register of the employees in the film industry. If the various stakeholders had to provide a list of the people in the industry, it would help us to ascertain the level of direct PAYE employment, as opposed to contractor employment, to determine whether there is evidence of bogus self-employment, to establish whether the trainee system is being abused, and to assess whether too many trainees are being taken on to avoid employing and paying qualified people. A register would help us to get the sort of information needed for a proper appraisal of the extent of quality employment and possible abuses in this area. I suggest we also need to examine the extent to which the certification process is looking under the surface of the different applications for the review under the different headings.

**Deputy Paschal Donohoe:** On the second point, the certification process is new and will take effect and will be implemented once the Finance Bill is passed. It may be a matter on which we can engage in the first half of next year once we see how it is implemented and whether it is making a difference to the issues which are being raised.

Last night, the Deputy asked what was my view of the breach of employment law and the availing of tax credits. I answered his question directly.

**Deputy Richard Boyd Barrett:** The Minister did.

**Deputy Paschal Donohoe:** I stated that I was aware that incidents take place in workplaces that should not take place but that these developments can sometimes occur if a workplace is big enough. Nevertheless, my view is that if issues of this nature are sustained, frequent and specific to a project that is availing of a credit, it raises issues with me as to how that credit is being used. I hope the changes we are making for next year will provide some clarity on this issue. Where I differ with the Deputy is on his first point. I do not know that other parts of our economy have the kind of register of employment to which he referred. It would be a big ask to register everybody working in a particular sector.



## Tracker Mortgage Examination

9. **Deputy Pearse Doherty** asked the Minister for Finance if his attention has been drawn to the fact that the victims of the tracker mortgage scandal have established that in the case of at least one bank (details supplied), the independent appeals board examining their appeal was not provided with all records pertaining to their case; if this is common practice across the banks; and if he will make a statement on the matter. [48596/18]

15. **Deputy Michael McGrath** asked the Minister for Finance the status of the tracker mortgage examination; the amount paid out to date for redress and compensation; when all affected customers will receive payment; and if he will make a statement on the matter. [48565/18]

**Deputy Pearse Doherty:** I have been contacted by a victim of the tracker scandal with some extremely alarming information. This family's appeal to the Ulster Bank's independent appeals process turned out to be a complete and utter joke. The only document related to her case that the appeal board received from the bank was a document relating to the compensation that was ordered. Is the Minister aware that this practice is taking place in Ulster Bank and what will he do about it?

**(Deputy Paschal Donohoe):** I propose to take Questions Nos. 9 and 15 together.

Appeals form an important part of the overall tracker mortgage examination process as they ensure an independent and transparent consideration of complaints from customers about any aspect of the redress and compensation they have been offered.

The Central Bank advises that, as part of the framework for conducting the tracker examination, lenders are required to put in place an appeals process as set out by the Central Bank. The Central Bank expects that lenders have put in place the necessary processes to ensure the appeals panel can operate in accordance with the requirements of the tracker framework, including that all relevant and available information which an appeal panel requests is provided by the lender to the panel so that it may consider and decide upon an appeal.

Where a customer who has appealed remains dissatisfied with the outcome of the appeal and does not accept the findings of the appeals panel, he or she retains the option to bring a complaint to the Financial Services and Pensions Ombudsman. The Deputy might indicate if he knows whether this has happened in the case he raised. The Central Bank does not have a detailed role in the operation of the appeals process. If the Deputy provides information on a particular case, including the case he raised, directly to the Central Bank, the bank will consider any information provided.

On Deputy Michael McGrath's question, Deputies will be aware that the Governor of the Central Bank provided an update when he attended a meeting of the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach on 4 October. At that meeting, he indicated that, as of the end of August, lenders had identified 38,400 affected customers and paid €580 million in redress and compensation. The redress and compensation phases of the tracker mortgage examination are now significantly advanced, with 93% of affected customer accounts identified and verified and they had received offers of redress and compensation by 31 August.

**Deputy Pearse Doherty:** I know the Minister and the Central Bank want to move on from this scandal and the banks are talking about returning to normality, restoring bonuses and so on. This case relates to a couple who submitted an appeal in June 2018. There has been correspon-

dence back and forth between them and the BDO Ireland secretariat, which oversees the independent appeals process for Ulster Bank. BDO requested some additional information from this family relating to their mortgage account. This concerned the family because the request indicated that BDO either had not read the mortgage account file or did not have a copy of it. Two weeks ago, the couple posed the question of whether BDO was capable of adjudicating on the appeal fairly and stated they had lost faith in the appeals process. The appeals board finally came back to them and confirmed that, as an independent secretariat, it only has access to the mortgage account details provided to it. In the case of Ulster Bank, this means BDO only has the compensation letter. It does not have the mortgage file or any other documentation. This raises serious questions about the whole point of the independent appeals process within Ulster Bank and possibly other banks. The latest information available to me indicates that Ulster Bank has identified 3,490 customers who were impacted by this scandal, 472 appeals packs have been dispatched, 81 have resubmitted and 20 appeals have been heard, only one quarter of which have been upheld.

The Minister must take action on this. He needs to ensure that Ulster Bank is providing all the detail to the independent appeals process because it is a complete sham if the only thing the appeals process has is the compensation letter and it must adjudicate based on that.

**Deputy Paschal Donohoe:** I do not know how Deputy Doherty can credibly put forward the allegation that I am looking to move beyond this when I have been crystal clear at all points that I believe the behaviour that caused this issue and the way in which it was dealt with recently were unacceptable. I have been very firm and clear in my support of the Central Bank and the work it is doing. Some €580 million has been returned to citizens. This was their money in the first place.

The Deputy will be aware that I made changes regarding the sanctions available in this area, including increasing to €500,000 the level of compensation the Financial Services and Pensions Ombudsman may award. How the Deputy can deduce from my public statements on this matter, my engagement with the banks and the support that I have offered the Central Bank that I want to move beyond this issue is not clear to me. I reiterate that if he wishes to share the information he has on the case of his constituent with the Central Bank, it has indicated it will examine the matter. Has the family in question had an opportunity to take this matter to the Ombudsman?

**Deputy Michael McGrath:** My question relates to the tracker examination at a broader level. It is now three years since the tracker investigation commenced. As of last month, the most recent update to the finance committee from the Governor of the Central Bank was to the effect that 10% of the identified effected customers had still not received redress and compensation. In effect, they have still not been given back their money. These are identified customers. In this examination, there are 31,300 effected customers, of whom 28,100 have received redress and compensation. Within this group of 28,100 there are disputes, and they will continue, but there remain more than 3,000 customers which the banks have identified and who have still not got their money back. They have not received compensation or redress. There is no deadline or end date for all of this. This examination has been ongoing for three years, yet 10% of the customers involved, or 3,000 people, have not got their money back. This scandal must be brought to an end. It is bad enough that this happened in the first place, but the way in which it has been handled and the fact it has been allowed to drag on while people continue to be out of pocket are not acceptable.

**Deputy Paschal Donohoe:** My most recent figures indicate some 93% of verified affected customers have received offers of redress and compensation. I want to see the matter concluded quickly. The fact that some 93% of customers, that is, our citizens, have been offered redress and compensation is of little solace to me or them, given how long all of this has gone on. It is unacceptable that it happened in the first place.

From my engagement with the Central Bank, I know it is devoting considerable resources and effort to try to ensure this matter is brought to a conclusion. It indicated it has identified the vast majority of people who it believes were affected. I want to see this matter brought to a conclusion and I know the Central Bank feels the same. It is and was a breach of trust on top of everything else we went through between Irish banks and our society. It is one of the key reasons that, as I indicated and discussed at last month's priority questions, I want to introduce a new individual accountability regime for banks based in Ireland next year.

**Deputy Pearse Doherty:** This individual who is going through the appeals process was able to ensure her mortgage file reached the independent appeals process. The mortgage file cannot be provided unless consent is given by the mortgage holder, yet mortgage holders, that is, the victims of the tracker scandal, do not know that consent is needed and the independent appeals process panels are not asking them for consent. There is no concern for the individuals, but one could fill one's boot with the paperwork that relates to this individual's file. The only documentation from the bank that the independent appeals process had for adjudicating in her appeal was the letter of compensation. This is likely to happen across Ulster Bank customers, but if it is the process in Ulster Bank it is likely to be the same across the board.

The Minister may say the woman can go to the Ombudsman, which is true, but Deputy Donohoe is the Minister for Finance. I told him it is probably happening in other banks and we must ensure it is not. On behalf of the people, the Minister is the majority shareholder in AIB and Permanent TSB, and is a significant shareholder in other banks. He meets representatives of the banks and the Central Bank, but the Central Bank will not deal with any individual. Will he take this matter on board? I put the information on the record and I will write to him, as I have done with the Central Bank. He should raise it with the Central Bank, Ulster Bank and the other banks to ensure all the information relevant to a customer's file is provided to the independent appeals process in order that justice can visibly be served.

**Deputy Michael McGrath:** On the numbers, the figure of 93% was reached by including the 7,100 pre-examination cases, which go back a number of years. We teased all of this out on Committee Stage. The figure in the current examination is 10%, which is more than 3,000 customers who have still not received redress and compensation. The banks know who they are, their name, their address, their mortgage account number and how much they are owed, yet they remain unpaid and out of pocket to this day, which is not acceptable. We and, more importantly, the people who were affected need the Minister and the Central Bank to inform them when they will get their money back. The issues of accountability and the outstanding disputed cases will have to be resolved, which will take time, but these are identified cases, of which there are still more than 3,000, or 10%.

**Deputy Paschal Donohoe:** On Deputy Pearse Doherty's point, I repeat what I said from the start. The Central Bank indicated that if the individual's information is shared with it, it will examine the information. On his request to raise the matter with the Central Bank, I will do so and I am determined to ensure this further breach of trust is dealt with in the most robust way possible.

On Deputy Michael McGrath's question, I know that he dealt with this matter as recently as early October. He is correct that the figures I provided include the 7,100 cases that had been identified, but this year there has been an increase of 1,300 in the number of customers who have been identified as affected since March. The number is growing, therefore, which was communicated to the Deputy by the Central Bank.

I cannot give an exact time by which everybody will have his or her money back, but I want it to happen as soon as possible. I will continue to engage with the Central Bank to see if I need to give it any further support to make that happen. In the particular cohort of cases with which we are dealing, as we approach this phase of the inquiry, some of them will be even more difficult and even more demanding. Like both Deputies, I have met people who were affected by the matter. Deputy Pearse Doherty referred to a bootful of correspondence, and I have seen the scale of correspondence that some people have had the trauma of having to process. I am fully committed to ensuring this matter is dealt with as effectively as possible.

### **Government Expenditure**

10. **Deputy Thomas P. Broughan** asked the Minister for Finance if he will report on the trends in general Government interest expenditure since 2017; the projections for the next five years; the way in which this expenditure has been impacted by the NTMA's management of the national debt in 2018; and if he will make a statement on the matter. [43866/18]

**Deputy Thomas P. Broughan:** The Minister may remember I raised concerns about the refinancing of some of our benchmark bonds in 2018 and 2019 with him, the Taoiseach, Deputy Varadkar, and the previous Taoiseach, Deputy Enda Kenny. Since 2008, our national debt and interest payments are approximately the same size as the budget that the Minister launched a couple of weeks ago. The overall size of national debt is projected to be more than 100% of gross national income. What are the Minister's projections for the next four or five years, particularly in regard to refinancing?

**Deputy Paschal Donohoe:** The recently published annual report on public debt in Ireland outlines that the interest burden of public debt is perhaps best assessed by examining the interest-to-revenue ratio, which demonstrates the percentage of total Government revenue dedicated to interest expenditure. The ratio has been on a downward trend since 2013 but remains high by EU standards. As of 2017, debt interest payments amounted to almost 8% of general Government revenue, compared with 3% prior to the financial crisis.

As the Deputy may be aware, projections of interest expenditure for the next five years can be found in the economic and fiscal outlook published in budget 2019. As a percentage of total general Government revenue, interest expenditure is projected to amount to 5.8% in 2019, 5.3% in 2020, 4.9% in 2021, 5% in 2022 and 5.1% in 2023, displaying a broadly downward trajectory. At just under €5.3 billion, general Government interest expenditure this year is expected to be close to 9% lower than in 2017, and more than 30% below its 2013 peak, since which it has been on a downward trend.

There are a number of reasons for the drop, such as the early repayment of the €22.5 billion International Monetary Fund loan facility and bilateral bond switching, in which shorter-term debt is redeemed in return for longer-term debt. This year alone, €1.4 billion of 2019 and 2020 maturities have been switched into longer-dated bonds. The European Central Bank's quan-

titative easing programme has been a significant factor. The National Treasury Management Agency, NTMA, has taken advantage of these favourable market conditions to issue a large volume of long-term debt at low rates. With funding concluded for this year, the NTMA issued €17 billion in general Government bonds, at a weighted yield of 1.1% and an average maturity of 12 years.

**Deputy Thomas P. Broughan:** When I look at the NTMA figures, I note the bond component is steadily growing. Does that include the bonds to which the Minister refers, such that that aspect of national debt is increasing but in a safe manner? The concern raised by a number of academics and others over the years was that general interest rates would change and we could be left in a difficult situation. The Minister will agree that the €42,000 of debt per man, woman and child, which he quoted in the budget, remains a dire burden for our country.

How will the rainy day fund operate in the context of gross and net debt? Will that be deducted and taken into account when quantifying the net debt, or does it stand alone?

**Deputy Paschal Donohoe:** I will answer the last question first. It will have an effect on our net debt because it is an asset that we have and it is funding that is held by the State. Financial markets look at the solvency of the State and that fact will reduce our net indebtedness position.

Our national debt will be bond-financed more and more and, at a point in the future, will be exclusively bond-financed. I will check but I imagine that, following the early repayment of the IMF programme, we are already almost exclusively bond-financed. The progress that has been made by the NTMA in issuing longer-term debt will insulate us, to a degree, from changes that happen in the future. As the Deputy said, it is a massive constraint for the country to have a national debt of €202 billion and, over time, we have to get the figure down by running surpluses and being careful about one-off gains.

## NAMA Loans Sale

11. **Deputy Mick Wallace** asked the Minister for Finance his views on the details surrounding a loan sale (details supplied) which was sold off market and for less than 10% of its original value; if he is satisfied that NAMA is not in breach of section 2(iv) of the NAMA Act 2009, which requires it to protect the interests of the taxpayer; and if he will make a statement on the matter. [48606/18]

**Deputy Mick Wallace:** I raised the issue of the Project Nantes loan sale in this House in May 2017 with the then Minister, Deputy Noonan. He told me that NAMA could not reveal any information on this loan sale under sections 99 and 202 of the NAMA Act. The current Minister refused to answer twice, on the same grounds, but sections 99 and 202 do not apply to the Houses of the Oireachtas, yet the Minister has allowed NAMA to hide behind them. I had to write to the Committee of Public Accounts to ask it to get involved. NAMA was forced to begin a legal review into the sale and the Comptroller and Auditor General has now become involved. Does the Minister not think that, in the public interest, he too should become involved?

**Deputy Paschal Donohoe:** I have already dealt with the background to this in a debate with Deputy Catherine Murphy, so I will not repeat what I said to her. I will answer Deputy Wallace's direct question clearly, however. It is my strong view, and a requirement under law, that the relevant oversight body for this matter is the Comptroller and Auditor General. NAMA is

in communication with him and his office and this is the way I believe it should be dealt with.

A correct consensus grew in the aftermath of the crisis that politicians should step out of particular roles and away from making decisions they may have made in the past. I believe it is correct that certain work has to be done on a non-political level, including the regulation of our Central Bank and decisions made by NAMA or banks. If there are issues with organisations such as NAMA, then it should not be politicians who inquire into them, but it appears that, while this consensus sometimes suits some people other than Deputy Wallace, other people call on me to get involved when there are issues they want to be addressed.

The right way for this to be dealt with is through the Comptroller and Auditor General. The Deputy fulsomely acknowledges the work he does and, if there is an issue, his office will inquire into it. As I said to Deputy Murphy, NAMA has given assurances on how the matter was dealt with.

**Deputy Mick Wallace:** I have great respect for the work of the Comptroller and Auditor General, as I do for the Minister, but I still believe the Minister should get involved. Avestus took over Quinlan Private in 2010. The three principal directors, Olan Cremin, Thomas Dowd and Peter Donnelly, had borrowed heavily during the boom, mainly from Anglo Irish Bank, and owed €489 million when the crash came. The €489 million went across to NAMA and NAMA assembled a portfolio with €352 million of this debt, naming it Project Nantes. The three boys went off to America to find someone to put up the money and found a company called Clairvue. They then set up a shelf company in Luxembourg called Clairvue Nantes and installed another director of Avestus, Mark Donnelly, as a director of the Luxembourg company. He had been a director of Avestus since 2010 and became a director of Clairvue in 2012. The company bought Project Nantes for €26.6 million, with a discount bringing the price to under 10% of the original value. This sale is in breach of the NAMA Act for multiple reasons. It was off market, at a knock-down price and, worst of all, the purchaser was connected to the debtor, which is illegal under section 172 of the NAMA Act.

**Deputy Paschal Donohoe:** I reiterate that it is now accepted that politicians should not be involved in inquiries into organisations as vast and significant as NAMA nor should we be involved in their day-to-day operations because of the pressure we could come under. If the Deputy is willing to accept that, he should be willing to accept that the Office of the Comptroller and Auditor General is the right body to do this work. The Deputy respects that office and has publicly acknowledged the work it has done. The Comptroller and Auditor General has requested further information and the Committee of Public Accounts is aware of this. The right thing is for that information to be supplied and, if the Comptroller and Auditor General reaches any conclusions on the issue, it could then be something for me to deal with. We have to allow due process to take place and an independent body like the Comptroller and Auditor General to do its work. NAMA has provided information to me and I have put it on the record of the Dáil. I have to respect the independence of the Comptroller and Auditor General.

**Deputy Mick Wallace:** There is no doubt that the Comptroller and Auditor General is a serious operator and he is a credit to his office, but he has found it very difficult to get information out of NAMA. It was very obvious during the protracted Project Eagle case that NAMA was very reluctant to co-operate with the Comptroller and Auditor General in a fair manner. NAMA is deliberately downplaying the requirement of section 172, but a purchaser is not allowed to be a NAMA debtor nor to have any connection to the debtor, yet Mark Donnelly was a director of Avestus and Clairvue. This is a deliberate breach of section 172 and all NAMA's talk does

not change that.

I accept the philosophy that politicians should not get involved and that other people with the appropriate remit should play their role first, but I see the Government getting involved in things on different occasions in this House and this is one I would love to see the Minister get involved in. I have great respect for him and I believe he could do something really good by doing so.

**Deputy Paschal Donohoe:** If I did, I would be getting involved in work the Comptroller and Auditor General is doing and undermining any conclusion he may reach on how this matter was dealt with. The Deputy has named individuals and has given his view on them but I have to ensure due process is followed. This is work that is under way in the Office of the Comptroller and Auditor General and it would be utterly inappropriate for me to reach a view on this matter until that work is concluded.

### Tax Code

12. **Deputy Thomas P. Broughan** asked the Minister for Finance if he will report on the November 2018 meeting of ECOFIN and the policy debate by EU finance ministers on the proposal to establish a digital services tax; and if he will make a statement on the matter. [48540/18]

**Deputy Thomas P. Broughan:** The Minister told me a few weeks ago that the digital services tax would cost us at least €160 million per year, but the vibes coming from the ECOFIN meeting were very disturbing. Bruno Le Maire, for example, seemed to say we could bring in a digital services tax by the end of the year and then suspend it for two years and Olaf Scholz said something fairly similar. Is the support the Minister has had in Europe crumbling? Will he have to resort to a veto?

**Deputy Paschal Donohoe:** There continue to be a number of other member states who have consistently expressed opposition to the introduction of the digital services tax. Their opposition was reiterated the last time this issue was discussed, which was at the October ECOFIN meeting, and they were very clear in expressing their concern on the matter. This is a change from where we have been over the past year when Ireland and one other country were voicing concern on the matter.

*12 o'clock*

There will be a further discussion on this issue in two weeks' time in December. Regardless of whether the European Union implements an EU-wide measure, we have already seen ten member states introduce their own unilateral measure or indicate that they are planning to bring forward such a measure. We will see these measures being deployed in individual member states in the near future, but I stand by my view that if the European Union was to go down this route on its own, it would open up a significant trade risk. Ireland could find itself at the heart of this trading difficulty in terms of a tax policy matter. That is why the OECD is the best place in which to resolve the issue.

*Written Answers are published on the Oireachtas website.*

### **Ceisteanna ó Cheannairí - Leaders' Questions**

**Deputy Dara Calleary:** Many of us have been members of Scouting Ireland during the years and there is no doubt that the leaders and volunteers in that organisation do fantastic work in communities across the country. However, the revelations dating from last January of complaints of sexual assault made by a woman in 2009, when she was 18 years old, have opened up a new insidious and grotesque litany of sexual abuse cases over many decades in the scouting movement. The abuse occurred mostly when children were on trips. Scouting Ireland's handling of the initial allegation was, in the words of Mr. Ian Elliott, one of the experts in this area, deeply flawed. The initial allegation has been followed by a full review of historical cases which found that there were 71 alleged abusers and 108 victims between the 1960s and 1980s alone and that there were also incidents in more recent times. We must remember not to focus on the numbers but rather on the fact that each one represents a person or a family who has been affected. Mr. Elliott confirmed all of this to the Minister for Children and Youth Affairs, Deputy Zappone, and the Oireachtas Joint Committee on Children and Youth Affairs yesterday. He also said the work was incomplete and that the numbers were likely to rise. Everyone in this House agrees that this is reprehensible and the sooner we can get the full facts the better. One in Four, a group with expertise in this area, has described the figures as astonishing.

A huge number of people are affected. They were much younger when they suffered the abuse and may not have come forward with their story and are holding on to what happened to them. They have held on to it for many years. Mr. Elliot outlined how 14 of the alleged perpetrators had multiple victims. He discovered that there was one serious perpetrator, of whom Scouting Ireland had no knowledge and on whom there was no file. There have been many enforced changes to Scouting Ireland since the initial inquiry. We hope the initial Government arrangements are robust enough to ensure any further allegation of abuse will be reported under the current legislation and that those who make reports under it will be given the support they need. Families and the children involved want this to happen to allow them to have security and their voices to be heard in this debate. It will also help them to come forward.

Given the seriousness of this issue, is the Minister satisfied with the process involved, how the allegations were examined and that known victims have access to full counselling services and any other support they require? What processes is the Government putting in place to allow people to come forward who might not otherwise come forward and are they being allowed to do so on a confidential basis? Has the Minister, Deputy Zappone, met him to ensure An Garda Síochána will be involved at every level to assist and support victims? Will the Government give consideration to the establishment of a specific helpline to allow people to come forward in confidence and provide the security and help they need?

**Minister for Justice and Equality (Deputy Charles Flanagan):** I thank the Deputy for raising this most important matter, notwithstanding the fact that it was the subject of a discussion at a Oireachtas joint committee as recently as yesterday. Like all Members of the House, I am appalled by the allegations of historical abuse that have emerged at Scouting Ireland. As my colleague, the Minister for Children and Youth Affairs, Deputy Zappone, said, Scouting Ireland informed her office late on Tuesday that, as part of a review being carried out by Mr. Ian Elliott, evidence had been found of 71 alleged abusers and 108 alleged victims to date. Scouting



Ireland has advised that most of the cases relate to the period between the 1960s and the 1980s. It has advised that some of the alleged victims and abusers became known to it separate from the examination of historical files. Several victims have come forward recently, as the Deputy acknowledged. The Minister has further been advised that none of the alleged abusers is still working with Scouting Ireland. It has been confirmed that reports have been made to Tusla, An Garda Síochána and other police forces in jurisdictions in which many of the alleged abusers are in residence. I acknowledge that in recent times the Minister reinstated funding for Scouting Ireland for a period of six months, until April next year. Like her, other Ministers and I are extremely concerned about the very high number of alleged cases of abuse. In that regard, the Minister is seeking additional information from Scouting Ireland. Funding has been restored on an interim basis only and the matter remains under examination.

Every support will be made available to the victims to ensure they can and will come forward and that they will be assisted in that pursuit. The appropriate authorities will engage in the necessary investigative work.

**Deputy Dara Calleary:** I welcome the assurance given that none of the alleged abusers is still working with Scouting Ireland. That is important. Is the Minister confident that Scouting Ireland has the capability and the resources to manage the situation? It is really important that we receive the information and the facts as soon as possible. The drip-drip of information has to stop in order that we can build confidence within scouting and the agencies involved in it in order that those who have not come forward will be able to tell their story and access justice. It is important that we look at the establishment of a helpline. The Minister for Children and Youth Affairs, Deputy Zappone, said she was seeking to meet the board of Scouting Ireland. Has that meeting been arranged and, if so, when will it be held? Will the Minister confirm that Tusla will become involved and provide the backup support necessary to ensure the most important people in this - the victims - will be allowed to tell their story and access a path to justice without an inordinate delay?

**Deputy Charles Flanagan:** The Government and all appropriate State agencies will make every effort to ensure this issue will be fully investigated and that all victims can come forward in a timely and appropriate manner. I acknowledge the new board of Scouting Ireland and the review of the governance of that body which was carried out in May. The Minister for Children and Youth Affairs, Deputy Zappone, appointed Ms Jillian van Turnhout as an independent expert to examine the governance structures in Scouting Ireland and related issues. Ms van Turnhout submitted her final report on 14 June. The board confirmed its decision to implement fully all of the recommendations made related to governance. It was on that basis that the Minister, Deputy Zappone, sanctioned funding for an interim period of three months until the end of September, at the end of which the then board voted to reinstate the chief scout as chairperson. This was done, notwithstanding the fact that the chief scout was a respondent in an ongoing independent barrister's investigation. This, of course, was unacceptable to the Government. I welcome the appointment of the new board. We must ensure every effort is made to bring this matter to a satisfactory conclusion for the victims involved and that there is due process in the context of any investigation, including Garda investigations. My Department will assist other Departments and State agencies, as appropriate.

**Deputy Pearse Doherty:** I refer to the ongoing crisis in child and adolescent mental health services, CAMHS, across the State. Everyone here knows parents and families who are struggling to access care for their children. We have all heard from staff acting on the front line who find that drastically inadequate staffing levels make it impossible to meet the demand for

the care they want to provide. Figures provided by the HSE for my colleague, Teachta Louise O'Reilly, show that midway through the year the waiting list for CAMHS stood at more than 2,700 children and young adults. That is not the waiting list for treatment but for the very first step of initial assessment. Many young people have been waiting a year or more to be assessed. These are the young lives that are in limbo. There are families who are at their wit's end. The State is failing children.

In some parts of the State the waiting lists are absolutely shocking. In the area covered by community healthcare organisation, CHO, 1 which includes my constituency of Donegal there was a waiting list of 203 children at the end of last year. In the area covered by CHO 4 which includes counties Cork and Kerry there was a waiting list of 737 children for an initial assessment for mental health services. It is an absolute scandal. We cannot continue to allow these lists to grow and grow putting more children at risk. That is what it all boils down to. Children are at risk because the State is failing to make sure the care for which they are reaching can be provided.

CAMHS simply is not meeting the needs of young people who are often in desperate need of immediate care. It is primarily the result of a failure to recruit the staff needed to fully operate CAMHS teams. For some time about half the positions in CAMHS teams have been vacant across the State, yet when my party leader, Deputy McDonald, raised the issue of the recruitment and retention of nurses, including psychiatric nurses, the Taoiseach simply dismissed our concerns. An immediate response is needed, particularly in areas where the problem is at its worst. Earlier this year the Oireachtas Joint Committee on the Future of Mental Health Care outlined a raft of measures to improve the recruitment and retention of vital staff. By filling vacancies quickly and improving conditions we can improve services, attract more staff and keep the excellent staff we already have. Let me state that when CAMHS is able to assess and care for young people, the service does an excellent job, with very good results. However, we cannot allow a situation to persist where if a child or a young person needs care, he or she faces an extended period of waiting that will put him or her and his or her mental health at serious risk. We need to see dedicated action to attract new staff and keep the excellent staff we already have. Promises were made by the Government last year that the disastrous staffing levels in CAMHS would be addressed, but they have not been. Will the Government recommit to doing so and ensure it will actually happen this time?

**Deputy Charles Flanagan:** The answer to the Deputy's question is "Yes". We will ensure every effort is made to deal with the issue, which I acknowledge is a challenge. I acknowledge the importance of the issues raised by the Deputy. Improving all aspects of CAMHS nationally is a priority for the Government and the Minister of State, Deputy Jim Daly, in particular. An additional €84 million will be provided for mental health services in 2019, which will bring the total available for mental health services to €1 billion, which represents an increase of 9%. That, however, is not the whole issue. I acknowledge what the Deputy has said about staffing and the recruitment challenges. I also acknowledge that there is a difficulty not only in recruitment but also in retention. That applies across the health system but particularly in the mental health service. Every effort is being made by the HSE to address the issue.

I note that primary care capacity has been further developed recently through the funding of a further 114 assistant psychologists and 20 senior psychologists. This will help to manage the demand for psychiatric services, but I acknowledge that it is more than just that. There is also an issue in meeting the demand for psychiatric and psychological services. The HSE and other agencies are working closely with appropriate recruitment agencies, not only in this jurisdic-

tion but also on the international stage, to find suitable and appropriate consultant psychiatrists to deal with this issue. On the one hand, we have increased the resources and, on the other, it is important that every effort be made to attract a proper and adequate coterie of individuals to deal with what is a very serious problem across society.

**Deputy Pearse Doherty:** I have listened to what the Minister has said. I could go into detail, distilling the figures and examining how much was spent on agencies and how much was pre-committed in 2017. However, the reality is that parents listening to this interaction will not take any comfort from what the Minister has said. I know some of them personally, as I am sure the Minister does, too. They tell me that they phone the service on a weekly and sometimes daily basis, that they are in tears, pleading, demanding, asking and begging for their child to gain access to a service in order that he or she can have a diagnosis and receive wraparound supports he or she needs. They are telling healthcare professionals that they are worried about their child's mental health. They are worried because their child who is sometimes as young as eight, nine or ten years old is self-harming or could take more drastic action. We have heard these commitments given by the Government before. Last year the waiting lists grew longer. The number of children waiting to be seen has grown and the time they have to wait has lengthened. There is a failure in government. This is a microcosm of how the Government is failing to plan to fulfil the health needs of our society. Every single party represented in this House supports full implementation of A Vision for Change. It is included in the programme for Government. When will we be able to come into the House and say this objective will be realised? When will we be able to say to the 2,700 children waiting and their parents that their mental health needs will be met by the State? This is not cherishing the children of the nation. It is cruelty and neglect of children and it is happening on the Minister's watch. The Government has been in office for eight years. It must take some, if not much, of the responsibility on its shoulders and act now.

**Deputy Pat Buckley:** Hear, hear.

**Deputy Charles Flanagan:** Deputy Pearse Doherty is not the only one who engages with parents and constituents on this issue.

**Deputy Seán Crowe:** That is what he said.

**Deputy Charles Flanagan:** I do so on a regular basis in my constituency engagements, as do all of my colleagues on this side of the House. I acknowledge the importance of the issues raised and a determination on the part of the Government to deal with the matter in a satisfactory way. I also acknowledge the dedicated and designated functions of the Minister of State with particular responsibility for this area, Deputy Jim Daly. I repeat that there has been an increase in total funding to the tune of almost €1 billion for mental health services next year. There is an additional allocation in excess of €50 million for new mental health service developments. If the Deputy requires a drilling down into the figures, as he mentioned, I assure him that €35 million of this will be apportioned for new developments, while a further €20 million is for growth projects which commenced this year.

The focus for funding for next year will be on early intervention. Deputy Pearse Doherty is correct in this regard. The importance of early intervention is well known and accepted. A further focus will be on support services which will assist people in dealing with mental health challenges before they may require acute psychiatric care.

I acknowledge the challenge in respect of the recruitment and retention of staff. The Min-

ister of State, Deputy Jim Daly, is taking an active approach and making every effort to address this matter. He is also in discussions with local managers of HSE regions to deal with the unacceptable level of waiting lists, an issue raised by Deputy Doherty.

**Deputy Bríd Smith:** I have a series of questions about what is really going on with the back door to this place in terms of Irish Water. On 16 November, staff who were seconded to Irish Water from local authorities received a letter from Irish Water management stating that the service level agreement under which they work, which is due to expire in 2025, will be renegotiated and all negotiations concluded by the end of February 2019. This is the result of a report commissioned by the Minister for Housing, Planning and Local Government, Deputy Eoghan Murphy, in May 2018 when he asked the Workplace Relations Commission to review the service level agreement, consult all sides and produce a report on the matter. The report was submitted to the Minister in September. All of the bodies that contributed to the report, namely, the Local Government Management Agency, the relevant trade union, the Workplace Relations Commission and the Irish Water utility, acknowledged that the arrangement of seconding to Irish Water workers who had spent their working lives employed in local authority water services has been brilliant. The experience, skills and depth of knowledge they brought to Irish Water was found to be indispensable and very much welcomed by the utility. When one reads the report, one finds that all the relevant bodies share this view.

The problem is that the Minister for Housing, Planning and Local Government is rushing to change the service level agreement, which is supposed to last until 2025. He wants to change it in 2021 and wants the negotiations on same ended by February 2019, which is three months away. I have noted the co-ordination in this campaign. The report was published in September and shortly afterwards, a report is published setting out excess charges that will be implemented in 2020 and how much income they will generate. Shortly after that, the Environmental Protection Agency produced a report showing that local private water utilities are poisoning people because they are not delivering a proper service. We the get reports that the Government proposes to undermine a Bill introduced by Deputy Joan Collins and supported by many parties providing for a referendum to prohibit the privatisation of Irish Water. It will do so by amending the Bill to allow for an element of privatisation known as public private partnership, PPP. What will happen to the jobs of Irish Water workers who do not want to transfer to a utility that may privatise water in the future? Will the Government get over itself and, once and for all, tell people that water will remain in public hands and will never be privatised? It must make that clear because the messages are extremely confusing and extraordinarily worrying for communities and, in particular, the workers in question.

**Deputy Charles Flanagan:** I thank Deputy Bríd Smith for her strong support of Irish Water.

**Deputy Richard Boyd Barrett:** That is not what the Deputy said.

**Deputy Charles Flanagan:** It is the first time that I have heard it and I welcome it. I admit that I have not read the report to which she referred, nor have I seen it. I am not, therefore, in a position to offer any commentary on it. I would be pleased to make early contact with my colleague, the Minister for Housing, Planning and Local Government, Deputy Eoghan Murphy, to address the three questions that the Deputy put to me.

It is important, within the timeframe suggested by the Deputy, that there is a form of consultation and dialogue and every effort is made on the part of management to ensure that worker and staff concerns, such as those outlined by the Deputy, can be addressed. We also have the in-

dustrial relations mechanisms of the State. I hope that over the next few months the grievances, as identified by Deputy Smith, can be dealt with through discussion, dialogue and consultation.

I very much welcome the Deputy's support for Irish Water and her commentary on the matter of the workforce. I assure her that every effort will be made by the Minister to ensure an appropriate transition.

**Deputy Bríd Smith:** To correct the record, I never once said I support Irish Water. I will clarify my position for the Minister. The reason I am on my feet is that I fully support the staff who were seconded from the local authorities to work for Irish Water. I take my hat off to them and to their expertise, skill and commitment as well as their ability to deal with problems at a local level with which they are so familiar because they have spent years working on water services. We treat those workers badly or diss them at our peril.

The Minister stated there is a form of consultation and dialogue taking place. It is shoving this down the throats of workers to have a complex service level agreement renegotiated within three months when they only heard about it last week. That is not dialogue or consultation. There needs to be an absolute guarantee in respect of their conditions, pensions, work and who they work for. Do they work for the public service or will they work for some PPP entity called Irish Water in future? The Minister did not comment on the privatised, back-door nature of what the Government is attempting to do here.

Shame on the Government that its members have not been informed of the report. The Minister, who has an adviser seated beside him, should read the report. It states that the workers who have been seconded to Irish Water are an invaluable asset to this project. We will try to mess them about or take away their terms and conditions at our peril. Will the Minister comment on the issue of privatisation by the back door?

**Deputy Charles Flanagan:** I assure Deputy Smith that there is no back door process or secret arrangement under way. Any discussions of an important nature will take place in the course of due process. There will be an adequate consultation process. There is a timeframe, as mentioned by the Deputy, within which all of the arrangements can be managed if there is the will on the part of everybody involved.

**Deputy Bríd Smith:** That is not a timeframe.

**Deputy Charles Flanagan:** I, too, acknowledge the hard work that has been undertaken by Irish Water workers engaging in what is a vital public service. I also acknowledge the challenges being undertaken by Irish Water in recent times in view of the changes by way of legislation introduced in the House. We still have a great challenge to ensure that our water services are improving in accordance with our commitments given in the programme for Government.

**Deputy Bríd Smith:** The Government must look after the workers if it wants to meet that challenge.

**Deputy Charles Flanagan:** There is also a long-term need to ensure a proper and adequate water supply of world-class standard in our Project Ireland 2040 proposals.

I encourage Deputy Smith to continue to engage. I assure her and other Deputies of the active engagement on the part of the Minister and his officials.

**Deputy Noel Grealish:** There is a serious problem in hospitals all over the country, with

beds being occupied by people who are well enough to be discharged but have nowhere to go. At the heart of the problem is the time it takes to get approval for nursing home support under the fair deal scheme and the growing numbers of people waiting for approval for home help under the home support service. The knock-on effect of this is that people on the waiting list for operations and other procedures cannot get into hospitals because there are no beds available for them. In many cases, it has taken several weeks for applications for the fair deal scheme to be approved. There are people occupying hospital beds who have recovered sufficiently to be discharged but who cannot manage on their own at home. Pending approval of their application, they are expected to pay €900 or more per week to stay in a nursing home, money that they often simply do not have, so they must be kept in hospital until approval comes through. It is not where they want to be. It is widely accepted that people need to get out of hospital as early as possible to avoid the risk of infection. There are many others who could go home if they had sufficient support in the form of home care services but, unfortunately, there are long waiting lists for home help in many areas. The most recent figure concerning the number of people awaiting approval for home help is more than 6,200. My home county of Galway has the worst record in the country with more than 670 people waiting for home help.

Thankfully, our population is living longer but that also means that the demand for home help services and nursing home care will continue to grow. Unless sufficient resources are allocated to meeting this demand, the problem of hospital beds not being freed up will also continue to grow. This in turn will lead to growing numbers of people on waiting lists for treatment waiting for beds to become available and growing numbers spending nights on trolleys in our emergency departments because they also cannot be moved to a bed in the hospital.

I acknowledge that some progress has been made this year regarding the number of people on waiting lists for inpatient or day case treatment. However, more than 72,000 people were on waiting lists for inpatient and day care treatment at the beginning of this month, almost 12,000 of which had been waiting a year or more. Galway University Hospital has the highest number of any hospital at almost 9,400. The same limited progress is not evident in respect of outpatient waiting list, which currently stands at more than 516,000 people. The total went over the half million mark for the first time at the end of last year and has remained above that extraordinary level every month of this year. Again, Galway has the highest number of people awaiting outpatient treatment at just under 40,000.

What further measures does the Government propose to take to ensure that people are released from hospital more quickly into the proper care they need and to ease the worry, stress and even physical risk to vulnerable members of our society?

**Deputy Charles Flanagan:** I thank Deputy Grealish not just for his question but also his expressed acknowledgement that progress is being made on this matter. I assure the Deputy and the House that the Government will continue to make progress on what is a particular challenge. It is a challenge that faces us as we come into the winter season. I assure the House and Deputy Grealish that the primary focus of Government is on reducing delayed patient discharges. We can do this through the mobilisation of additional resources. As the Deputy acknowledged, the aim is to ensure that social care measures are effectively deployed, which will have the effect of enabling older people to leave hospital and return to a more appropriate care setting, including primarily their own home, as quickly as possible. If they are returning to their home, they will need adequate supports.

I assure the House that as part of its preparation for winter, the HSE has been requested by

the Minister for Health to focus efforts on initiatives to enable hospital settings to de-escalate before the Christmas period, including supports of a social care nature. The HSE has commenced a range of measures to support older people's transition from acute care before Christmas into the new year. These measures were welcomed yesterday by the Minister for Health and the Minister of State with responsibility for older people, Deputy Jim Daly. This includes an allocation of 550 additional home care packages over the winter period. This is one of a number of initiatives that include additional transitional care beds and €4 million for aids and appliances that will assist older people to come home from hospital before Christmas and remain in their homes over the new year or for longer periods.

The importance of transitional care must not be understated. If it is appropriate, it is arranged through utilising the patient and family choice of provider. The use of transitional care has proven to be very valuable in the hospital system. It has benefited and continues to benefit the transfer of large numbers of patients to more appropriate settings. Information of a preliminary nature, which I am happy to share with Deputy Grealish and others, will show that there have been more than 9,800 approvals for funding to date this year of which 830 were in Galway University Hospital. I assure the Deputy that the Department of Health expects the details of the winter plan to be finalised over the coming days. It will be published later this month and I am sure the Minister of State, Deputy Jim Daly, along with the Minister, will continue to keep the House and Deputy Grealish fully informed of developments in this challenge.

**Deputy Noel Grealish:** I am aware that there are many and often complex reasons for thousands of patients occupying hospital beds for longer than is ideal every year. I am familiar with many of these cases. The fact remains that the delays in approving fair deal applications for nursing home care and delays in funding for home care packages create some of these hold-ups. As I mentioned earlier, a hospital is the last place one would want older family members to be in if it is not necessary. International research has shown that every extra day in hospital increases the risk of acquiring an infection, having an adverse drug reaction or developing problems like bed sores. New Irish research published in the British Medical Journal found that older people were 72% more likely to be given prescriptions that were not appropriate for them.

I call on the Government to speed up the application process for the fair deal scheme. This would free up hospital beds and get people out of hospitals. There is a significant delay in approving home care packages. I welcome the announcement made by the Minister, but bringing a loved one home when there is no care at home for them is a significant worry for families. Will the Minister give a commitment that the Government will speed up home care packages and the application process for the fair deal scheme?

**Deputy Charles Flanagan:** The announcement yesterday of 550 extra home care packages is proof of the determination on the part of the Minister of State, Deputy Jim Daly, and the Minister to ensure this issue is adequately dealt with. I am assured that these initiatives will provide older people with the type of care they need, which is the type of care requested by Deputy Grealish. I am very keen to ensure it is delivered in the right place and within an appropriate period of time. Older people wish to be supported in their homes and in their communities. The additional investment in social and community care measures will support this objective in the winter ahead. The net budget for the nursing homes support is in excess of €960 million. The scheme supports approximately 23,300 people in respect of long-term residential care. The waiting time for funding approval is three to four weeks, but I assure Deputy Grealish that the Minister of State with responsibility for older people, Deputy Jim Daly, is focusing this winter on the issue of delayed discharges and social care measures, including the investment in home

support, which will assist people in returning home to their communities as quickly as possible.

### **Gnó na Dála - Business of Dáil**

**An Ceann Comhairle:** Before moving to Questions on Promised Legislation, the Government Chief Whip has a business proposal to make arising from the agreement of the Business Committee this morning.

**Minister of State at the Department of the Taoiseach (Deputy Seán Kyne):** It is proposed, notwithstanding anything in the Order of Business of 20 November 2018 or in Standing Orders, that the order of today's business, following the sos, shall be as follows: Finance Bill 2018 - Report Stage (resumed) and Final Stage; Consumer Protection (Regulation of Credit Servicing Firms) Bill 2018 - Order for Report, Report and Final Stages; Social Housing Bill 2016 - Second Stage; and the Topical Issue debate. On Report Stage of the Finance Bill 2018, Members may make only one contribution on an amendment, or on a group of amendments, which shall not exceed three minutes, provided that the member who moved the amendment shall also have a right of reply which shall not exceed two minutes. The Social Housing Bill 2016 shall commence not later than 8 p.m. and shall be brought to a conclusion after one hour. In the event a division is in progress at 8 p.m., the Bill shall be taken on its conclusion. The House shall adjourn on the conclusion of the Topical Issue debate.

### **Ceisteanna ar Reachtaíocht a Gealladh - Questions on Promised Legislation**

**Deputy Dara Calleary:** One of the commitments of the programme for Government is that the Government will ensure robust protections are in place to protect children while online. There is frightening research published in today's *The Irish Times* by a company named Zeeko, which confirms that one third of eight year olds and two thirds of sixth class pupils are playing adult games online and that the average age at which children go online is six years old. The former Minister for Communications, Climate Action and Environment, Deputy Naughten, said in January that there are gaping holes that are being exploited with sickening consequences and that there needed to be a whole-of-Government approach on the issue. Despite the opposition of the Taoiseach, the Government agreed last January to appoint a digital safety commissioner. Will the Minister for Justice and Equality, Deputy Charles Flanagan, confirm that this process is under way and that we will have a digital safety commissioner in place by year end?

**Minister for Justice and Equality (Deputy Charles Flanagan):** I can confirm that every consideration is being given to this matter in the context of what is a whole-of-Government approach involving a number of Departments and a review group led by the Department of Communications, Climate Action and Environment, under the chairmanship of the Minister of that Department, Deputy Bruton, and comprised of officials from the Departments of Education and Skills and Children and Youth Affairs and my Department, in terms of the criminal justice elements. The matter referenced by Deputy Calleary is under consideration and I expect that the group will report soon.



**Deputy Pearse Doherty:** The departure of Mr. Martin O'Neill as manager of the Ireland soccer team has been a major talking point. The past year has not been an easy one for Irish fans. Irish teams are stronger and better when they are all-Ireland teams. We already have all-Ireland teams in sports such as hockey, rugby and boxing. In sports, we can achieve great success when we operate on an all-Ireland basis. The fantastic result of the Irish rugby team against New Zealand at the weekend is another example in this regard. The former Taoiseach, Deputy Enda Kenny, raised this matter a number of years ago when he said that an all-Ireland soccer team should take on England every two years and the money raised should go to charity for children. It does not make sense that our small island would have two separate teams, splitting the pool of talent and the resources that are available. A number of surveys have shown that there are people North and South who support the idea of an all-Ireland soccer team. Does the Minister, Deputy Charles Flanagan, support the idea and will he raise the issue with the Minister of State with responsibility for sport? Is it not time that we started this conversation in light of what has been in rugby, boxing, hockey and other sports?

**Deputy Charles Flanagan:** Before asking the Minister of State, Deputy Brendan Griffin, to respond I would like to comment. I was expecting Deputy Pearse Doherty to blame the Government for the lack of success on the part of the Irish soccer team or the departure of Mr. Martin O'Neill, who I wish well.

**Deputy Pearse Doherty:** Is that all the Minister, Deputy Charles Flanagan, has to say on the matter?

**Deputy Brendan Howlin:** Deputy Pearse Doherty is getting two vital responses.

**Minister of State at the Department of Transport, Tourism and Sport (Deputy Brendan Griffin):** The matter is one for the national governing bodies, the Football Association of Ireland and the Irish Football Association, not the Government. I acknowledge that there has been enhanced co-operation between both football associations in recent years, which was evident last week in the context of the international game held on Thursday night and on Wednesday night at the Co-operation Ireland event which was held in the Mansion House. This co-operation is positive and encouraging.

I take this opportunity to congratulate and thank Mr. Martin O'Neill and Mr. Roy Keane for the service they provided over the last number of years. While recent results have been disappointing, it is important to acknowledge that a number of players were injured and unable to play in the last few games.

**Deputy Ruth Coppinger:** This is incredible.

**Deputy Mattie McGrath:** What about Cahirciveen and Gneeveguilla?

**Deputy Brendan Howlin:** We have only 15 minutes in this slot.

**Deputy Mattie McGrath:** This is ridiculous.

**Deputy Brendan Griffin:** It is unfair to use the success of the Irish rugby team to hit the Irish soccer team who do us proud every time they go out on the pitch and we should all support them.

**Deputies:** Hear, hear.

**Deputy Brendan Howlin:** Rather unusually, I want to ask a procedural question of the Minister, Deputy Charles Flanagan, and the Government. Every week, we have debates in this House and we pass resolutions. Previously, resolutions of this Parliament were meaningful and effective. Increasingly, we pass resolutions and Bills on Second Stage that have no meaning or effect which, if it continues, will undermine people's trust in this Parliament. What procedure is in place to deal with resolutions or motions passed in this House? Are they ignored, as if they were resolutions or motions passed by a college debating society?

**Deputy Charles Flanagan:** Deputy Howlin has raised an important question-----

**Deputy Dara Calleary:** As were my questions this morning but I go no answers.

**Deputy Charles Flanagan:** ----that in the context of the minority Government is one frequently faced by Departments in respect of the constitutional position of Parliament *vis-à-vis* Government. I assure Deputy Howlin that every resolution and motion passed, and every Bill introduced in this House is taken seriously. However, this presents Government with challenges in terms of following through in a way that is constitutionally compliant and legally robust. Speaking on behalf of my Department, it faces particular challenges in the context of motions being agreed by the Dáil and-or the Seanad on a regular basis, many of which require consultation with the Attorney General and referral for further consideration to an all-party committee. The overriding principle on the part of Government is to ensure that legislative measures leave this House constitutionally compliant and legally operable.

I acknowledge it is an important issue on which I am happy to engage with Deputy Howlin or any other Deputy. Ultimately, Government is responsible for the actions of Parliament and must respond.

**Deputy Ruth Coppinger:** One week on from the protests around victim blaming in our courts and from an international spotlight on what is going on in this country with regard to rape, I want to raise two issues. After many years, the Minister, Deputy Charles Flanagan, has at last announced that a new Sexual Abuse in Ireland, SAVI, report is to be produced. The Rape Crisis Centre and, I would say, the entire country is wondering why it will take five years to conduct this research. The purpose of research is to have up-to-date information, not information that is six years old. If the Government provided more funding it would get the report a lot quicker. The sum of €150,000 for the first year is too little. The Government must ensure this research is done quicker.

The second issue is comments in court. The Minister, Deputy Charles Flanagan, made an inappropriate comment on television the other night about a full blooded defence in response to the type of remarks that are rape apology and paedophile apology remarks by barristers, including "only being held down once", "that the perpetrator did not realise the person was not consenting" - a child - and "this man was not violent". How long are these disgusting comments to be allowed? We do not need to wait for a review to tell us that they are wrong.

**An Ceann Comhairle:** I ask the Deputy to allow the Minister to respond.

**Deputy Ruth Coppinger:** We have to stop apologising for rapists in our courts.

**Deputy Charles Flanagan:** The Deputy raised two issues. First, I acknowledge her welcome for the SAVI 2 report. I assure the Deputy that this is a major piece of work, which will take a number of years to produce. I will not second-guess the Central Statistics Office, CSO,

in the context of the timeframe.

**Deputy Ruth Coppinger:** Five years.

**Deputy Charles Flanagan:** I can assure the Deputy and the House that this will be the most comprehensive piece of work ever undertaken in this area and that sufficient resources will be made available to allow the survey take place. I acknowledge the welcome and support of the advocacy groups for this review. I assure them that I will continue to engage with them.

On the second issue, I again assure Deputy Coppinger of my active engagement on the issue. A working group has been engaged in active work on this issue in recent months under the chairmanship of Tom O'Malley of the National University of Ireland Galway, a considered expert in this area, covering the issues raised by the Deputy today and previously. I expect to have that report within weeks.

**Deputy Mattie McGrath:** There have been numerous ongoing issues with illness benefit payments, which the Taoiseach and Minister for Employment Affairs and Social Protection, Deputy Regina Doherty, assured us had been sorted out. However, many clients are still waiting and being left without payments as a result of simple errors being made by the Department. One such applicant, who has had his payments delayed for three or four weeks, was assured by the Minister's office via my office last Monday that his payment would be issued in two to three working days. His payment was not received this morning and when we inquired about the matter we were told someone had not pressed a button. This is outrageous. This morning, we learn that the Taoiseach has spent €1.74 million on communications and spin in the past 17 months, whereas the former Taoiseach, Deputy Enda Kenny, spent only €116,000 on spin in 15 months. It is all about spin and image. What about the people who cannot get their payments? It is a disgraceful reflection on the Department's performance that someone did not press a button. That is little good to a family that cannot put food on the table, while the Taoiseach spends €1.74 million on his image and spin. It is outrageous.

**Minister for Employment Affairs and Social Protection (Deputy Regina Doherty):** I assure the Deputy that no one pushes buttons in the Department of Employment Affairs and Social Protection.

**Deputy Mattie McGrath:** That is what we are told.

**Deputy Regina Doherty:** We had some serious difficulties with payments for a number of weeks but, thankfully, payments have resumed to normal levels in recent weeks.

**Deputy Mattie McGrath:** They have not.

**Deputy Regina Doherty:** Some 50,000 people who are entitled to illness benefit receive their benefit weekly. I reiterate that there will always be instances in which people do not get payments for whatever particular reason.

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

**Deputy Regina Doherty:** Some non-payments may be as a result of human error, whether on the part of the person making the application, the doctor issuing a certificate or the employee in the Department.

**Deputy Mattie McGrath:** It is ineptitude and laziness.

**Deputy Regina Doherty:** There will always be such cases. Thankfully, they are small in number.

**Deputy Mattie McGrath:** There is nothing to be thankful about.

**Deputy Regina Doherty:** We have resumed normal business.

**Deputy Thomas P. Broughan:** Just over a week ago, we had an appalling assassination in north Kildare. It was one of a litany of homicides that have occurred week in and week out this year. It is alleged that the number of deaths in one drug-fuelled spree of appalling killings has reached 19. Is the Minister confident that we have the legislation in place and the Garda Commissioner, Drew Harris, has the resources to reach out and deal with appalling crimes which have been directed from outside the country? Can the Minister ensure this? I raised this matter with the previous Taoiseach. We seem to be having a general breakdown of law and order on the Minister's watch.

**Deputy Charles Flanagan:** My job as Minister for Justice and Equality is twofold. First, it is to ensure that our legislation is updated and conforms to international best practice and, second, it is to ensure adequate resources for the appropriate agencies, in this case An Garda Síochána. I assure Deputy Broughan that an unprecedented level of funding, to the order of €1.7 billion, is available to An Garda Síochána. I acknowledge the police presence in his constituency and right across the country dealing with the challenge of organised crime. I further assure the Deputy that there is a very high degree of international contact between An Garda Síochána and other police forces and services across Europe. I could, if I had time, acknowledge recent successes in this regard but, in short, I assure Deputy Broughan that the important issues he raises are ones that An Garda Síochána is prioritising. Indeed, this issue was the subject matter of a discussion I had last night with Garda Commissioner Drew Harris, who has the full support of Government and, I am sure, of the House in his challenge.

**Deputy Pat Buckley:** Page 44 of the programme for Government states:

The renewal of towns and villages will be a top priority for the new Minister ... as a way to revitalise rural Ireland ... As part of this scheme we will propose to commit additional funding to support the development of rural towns and villages, as a key priority for revitalising rural Ireland.

My question concerns east Cork. People in the village of Rostellan have been asking for road traffic management since 2009. They have been supported by local villages, the Irving Oil refinery, Aghada power station, local gardaí and others. Some 40% of the road tonnage in Cork county traverses the village, which needs traffic calming measures. A recent survey, which was carried out for 12 hours a day for seven days, showed that 43,796 vehicles passed through the village in one week. I have two questions.

**An Ceann Comhairle:** Deputies may ask only one question.

**Deputy Pat Buckley:** Are moneys available for traffic management in the village and is the council drawing down moneys for this purpose?

**Deputy Charles Flanagan:** I remind the Deputy that, following his appointment, one of the Taoiseach's first acts was to appoint for the first time a specifically designated Minister for rural affairs with an appropriate budget. I acknowledge the recent announcement by the Minister for

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Rural and Community Development, Deputy Ring, of unprecedented funding under the town and village renewal scheme. I do not have the details of the village of Rostellan before me.

**Deputy Pat Buckley:** I will pass them on to the Minister.

**Deputy Charles Flanagan:** However, I would be happy to request that an appropriate note be sent to the Deputy at the earliest opportunity. I assure the burghers of Rostellan that every effort will be made to deal with the issue raised.

**An Ceann Comhairle:** That concludes questions on promised legislation. Eleven Deputies were not reached.

### **Dublin Transport Authority (Amendment Bill) 2018: Leave to Withdraw [Private Members]**

**Deputy Robert Troy:** I move:

That leave be granted to withdraw the Dublin Transport Authority (Amendment Bill) 2018.

Question put and agreed to.

### **Dublin Transport Authority (Amendment) (No. 2) Bill 2018: First Stage**

**Deputy Robert Troy:** I move:

That leave be granted to introduce a Bill entitled an Act to amend the Dublin Transport Authority Act 2008 to provide that no further competitively tendered for contracts of public bus services and/or public passenger transport services in excess of those competitively tendered for contracts which the National Transport Authority is currently entered into shall take place until such time as a period of five years has elapsed from the date of enactment of this Act and a full review of said entered into competitively tendered for contracts has been carried out by the Minister for Transport, Tourism and Sport and to provide for related matters.

I am introducing a second version of the Dublin Transport Authority (Amendment) Bill 2018 because there was an error with the original Bill. I appreciate the House affording me the opportunity to do so. The purpose of the Bill is to prevent any further awarding of contracts of public transport passenger services for a period of five years. A total of 10% of Dublin Bus and 10% of Bus Éireann contracts were awarded without tender under direct award contracts, with Go-Ahead winning the full 10% of Dublin Bus routes and some of the Bus Éireann contracts. The need for this legislation was further highlighted to me when I tabled a parliamentary question to the Minister for Transport, Tourism and Sport, Deputy Ross, about his powers in respect of licensing and he confirmed that he had no role in this licensing and, furthermore, had no intention of having any role in it. The powers were left to the National Transport Authority, and

the Minister views this as appropriate.

The original decision to put 10% of routes out to tender was taken to provide a comparative basis on which we might ensure not only that we are getting value for money for taxpayers, but also and of equal importance that we are getting an effective, efficient service for the passengers who use our public transport. A recent decision by the NTA to announce its intention to increase by a further 10% direct award contracts is premature, to say the least. We have not been able to assess the service being operated by Go-Ahead, so its performance has not been measured. The reason for this is that in some instances the direct award contract has yet to commence. As such, the NTA's intention to tender out further routes is premature.

The routes being considered for tender include one which has recorded growth of 14% since 2017 and another which has recorded growth of 50% since 2016. Bus Éireann showed its capabilities in respect of efficiency, public service, value for money and customer service when it recently won a tender for Waterford routes. It won it against other competitive tenders both domestic and international. This tender process, as I said, was initiated by the NTA. This is evidence that Bus Éireann can operate and compete successfully and offer value for money and a quality customer service. At this stage, without knowing the value of the 10% of services that were originally put out to tender or how they are operating, it would be premature to tender out any further routes.

*1 o'clock*

I hope the Dáil will support this legislation to prevent further tendering of these routes for, at least, a minimum of five years.

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

**Minister of State at the Department of the Taoiseach (Deputy Seán Kyne):** No.

Question put and agreed to.

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

**Deputy Robert Troy:** I move: "That the Bill be taken in Private Members' time."

Question put and agreed to.

### **Horse and Greyhound Racing Fund Regulations 2018: Referral to Joint Committee**

**Minister for Agriculture, Food and the Marine (Deputy Michael Creed):** I move:

That the proposal that Dáil Éireann approves the following Regulations in draft:

Horse and Greyhound Racing Fund Regulations 2018,

copies of which were laid in draft form before Dáil Éireann on 20th November, 2018, be referred to the Joint Committee on Agriculture, Food and the Marine, in accordance with Standing Order 84A(4)(k), which, not later than 29th November, 2018, shall send a message

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to the Dáil in the manner prescribed in Standing Order 90, and Standing Order 89(2) shall accordingly apply.

Question put and agreed to.

### Shared Maternity Leave and Benefit Bill 2018: Second Stage (Resumed) [Private Members]

**An Ceann Comhairle:** I must now deal with a postponed division on Second Stage of the Shared Maternity Leave and Benefit Bill 2018 which was taken on Thursday, 15 November. On the question, “That the Bill be now read a Second Time,” a division was claimed. In accordance with Standing Order 70(2), that division must be taken now.

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

<i>The Dáil divided: Tá, 75; Níl, 45; Staon, 0.</i>		
<i>Tá</i>	<i>Níl</i>	<i>Stاون</i>
<i>Adams, Gerry.</i>	<i>Bailey, Maria.</i>	
<i>Aylward, Bobby.</i>	<i>Barrett, Seán.</i>	
<i>Barry, Mick.</i>	<i>Breen, Pat.</i>	
<i>Boyd Barrett, Richard.</i>	<i>Brophy, Colm.</i>	
<i>Brady, John.</i>	<i>Bruton, Richard.</i>	
<i>Brassil, John.</i>	<i>Burke, Peter.</i>	
<i>Breathnach, Declan.</i>	<i>Byrne, Catherine.</i>	
<i>Broughan, Thomas P.</i>	<i>Canney, Seán.</i>	
<i>Browne, James.</i>	<i>Carey, Joe.</i>	
<i>Buckley, Pat.</i>	<i>Collins, Michael.</i>	
<i>Butler, Mary.</i>	<i>Creed, Michael.</i>	
<i>Calleary, Dara.</i>	<i>Daly, Jim.</i>	
<i>Casey, Pat.</i>	<i>Deasy, John.</i>	
<i>Cassells, Shane.</i>	<i>Doherty, Regina.</i>	
<i>Chambers, Jack.</i>	<i>Donohoe, Paschal.</i>	
<i>Chambers, Lisa.</i>	<i>Doyle, Andrew.</i>	
<i>Collins, Niall.</i>	<i>Durkan, Bernard J.</i>	
<i>Connolly, Catherine.</i>	<i>English, Damien.</i>	
<i>Coppinger, Ruth.</i>	<i>Farrell, Alan.</i>	
<i>Crowe, Seán.</i>	<i>Fitzgerald, Frances.</i>	
<i>Cullinane, David.</i>	<i>Fitzpatrick, Peter.</i>	
<i>Curran, John.</i>	<i>Flanagan, Charles.</i>	
<i>Doherty, Pearse.</i>	<i>Griffin, Brendan.</i>	
<i>Donnelly, Stephen S.</i>	<i>Heydon, Martin.</i>	
<i>Ellis, Dessie.</i>	<i>Kyne, Seán.</i>	
<i>Ferris, Martin.</i>	<i>Lowry, Michael.</i>	

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<i>Fitzmaurice, Michael.</i>	<i>Madigan, Josepha.</i>	
<i>Funchion, Kathleen.</i>	<i>McEntee, Helen.</i>	
<i>Gallagher, Pat The Cope.</i>	<i>McGrath, Mattie.</i>	
<i>Grealish, Noel.</i>	<i>McLoughlin, Tony.</i>	
<i>Harty, Michael.</i>	<i>Mitchell O'Connor, Mary.</i>	
<i>Haughey, Seán.</i>	<i>Moran, Kevin Boxer.</i>	
<i>Healy, Seamus.</i>	<i>Murphy, Eoghan.</i>	
<i>Howlin, Brendan.</i>	<i>Naughten, Denis.</i>	
<i>Kelleher, Billy.</i>	<i>Naughton, Hildegarde.</i>	
<i>Kenny, Gino.</i>	<i>Neville, Tom.</i>	
<i>Kenny, Martin.</i>	<i>Noonan, Michael.</i>	
<i>Lahart, John.</i>	<i>O'Connell, Kate.</i>	
<i>Lawless, James.</i>	<i>O'Donovan, Patrick.</i>	
<i>MacSharry, Marc.</i>	<i>O'Dowd, Fergus.</i>	
<i>McConalogue, Charlie.</i>	<i>Phelan, John Paul.</i>	
<i>McDonald, Mary Lou.</i>	<i>Rock, Noel.</i>	
<i>McGrath, Michael.</i>	<i>Ross, Shane.</i>	
<i>McGuinness, John.</i>	<i>Stanton, David.</i>	
<i>Mitchell, Denise.</i>	<i>Zappone, Katherine.</i>	
<i>Moynihan, Aindrias.</i>		
<i>Moynihan, Michael.</i>		
<i>Munster, Imelda.</i>		
<i>Murphy O'Mahony, Margaret.</i>		
<i>Murphy, Catherine.</i>		
<i>Murphy, Eugene.</i>		
<i>Murphy, Paul.</i>		
<i>Nolan, Carol.</i>		
<i>O'Brien, Darragh.</i>		
<i>O'Brien, Jonathan.</i>		
<i>O'Callaghan, Jim.</i>		
<i>O'Dea, Willie.</i>		
<i>O'Keeffe, Kevin.</i>		
<i>O'Loughlin, Fiona.</i>		
<i>O'Reilly, Louise.</i>		
<i>O'Rourke, Frank.</i>		
<i>O'Sullivan, Jan.</i>		
<i>O'Sullivan, Maureen.</i>		
<i>Ó Caoláin, Caoimhghín.</i>		
<i>Ó Cuív, Éamon.</i>		
<i>Penrose, Willie.</i>		
<i>Pringle, Thomas.</i>		
<i>Ryan, Brendan.</i>		



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<i>Ryan, Eamon.</i>		
<i>Scanlon, Eamon.</i>		
<i>Smith, Brendan.</i>		
<i>Smyth, Niamh.</i>		
<i>Stanley, Brian.</i>		
<i>Tóibín, Peadar.</i>		
<i>Troy, Robert.</i>		

Tellers: Tá, Deputies Michael Moynihan and John Lahart; Níl, Deputies Seán Kyne and Tony McLoughlin.

Question declared carried.

#### **Shared Maternity Leave and Benefit Bill 2018: Referral to Select Committee [Private Members]**

**An Ceann Comhairle:** As this is a Private Members' Bill, it must, under Standing Orders 84A(3)(a) and 141, be referred to a select committee. The relevant committee is the Select Committee on Employment Affairs and Social Protection.

**Deputy Lisa Chambers:** I move:

That the Bill be referred to the Select Committee on Employment Affairs and Social Protection pursuant to Standing Orders 84A(3)(a) and 141.

Question put and agreed to.

#### **Local Government (Water Pollution) (Amendment) Bill 2018: Second Stage (Resumed) [Private Members]**

**An Ceann Comhairle:** I must now deal with a postponed division on the amendment to the Second Reading motion of the Local Government (Water Pollution) (Amendment) Bill 2018 which was taken on Tuesday, 20 November. On the question, "That the amendment be made," a division was claimed. In accordance with Standing Order 70(2), that division must be taken now.

Amendment put:

<i>The Dáil divided: Tá, 50; Níl, 72; Staon, 0.</i>		
<i>Tá</i>	<i>Níl</i>	<i>Staon</i>
<i>Bailey, Maria.</i>	<i>Adams, Gerry.</i>	
<i>Barrett, Seán.</i>	<i>Aylward, Bobby.</i>	
<i>Breen, Pat.</i>	<i>Barry, Mick.</i>	
<i>Brophy, Colm.</i>	<i>Boyd Barrett, Richard.</i>	
<i>Bruton, Richard.</i>	<i>Brady, John.</i>	
<i>Burke, Peter.</i>	<i>Brassil, John.</i>	
<i>Byrne, Catherine.</i>	<i>Breathnach, Declan.</i>	
<i>Canney, Seán.</i>	<i>Broughan, Thomas P.</i>	
<i>Carey, Joe.</i>	<i>Browne, James.</i>	
<i>Creed, Michael.</i>	<i>Buckley, Pat.</i>	
<i>Daly, Jim.</i>	<i>Butler, Mary.</i>	
<i>Deasy, John.</i>	<i>Calleary, Dara.</i>	
<i>Doherty, Regina.</i>	<i>Casey, Pat.</i>	
<i>Donohoe, Paschal.</i>	<i>Cassells, Shane.</i>	
<i>Doyle, Andrew.</i>	<i>Chambers, Jack.</i>	
<i>Durkan, Bernard J.</i>	<i>Chambers, Lisa.</i>	
<i>English, Damien.</i>	<i>Collins, Michael.</i>	
<i>Farrell, Alan.</i>	<i>Collins, Niall.</i>	
<i>Fitzgerald, Frances.</i>	<i>Connolly, Catherine.</i>	
<i>Flanagan, Charles.</i>	<i>Coppinger, Ruth.</i>	
<i>Grealish, Noel.</i>	<i>Crowe, Seán.</i>	
<i>Griffin, Brendan.</i>	<i>Cullinane, David.</i>	
<i>Heydon, Martin.</i>	<i>Curran, John.</i>	
<i>Howlin, Brendan.</i>	<i>Doherty, Pearse.</i>	
<i>Kyne, Seán.</i>	<i>Donnelly, Stephen S.</i>	
<i>Lowry, Michael.</i>	<i>Ellis, Dessie.</i>	
<i>Madigan, Josepha.</i>	<i>Ferris, Martin.</i>	
<i>McEntee, Helen.</i>	<i>Fitzmaurice, Michael.</i>	
<i>McLoughlin, Tony.</i>	<i>Fitzpatrick, Peter.</i>	
<i>Mitchell O'Connor, Mary.</i>	<i>Funchion, Kathleen.</i>	
<i>Moran, Kevin Boxer.</i>	<i>Gallagher, Pat The Cope.</i>	
<i>Murphy, Catherine.</i>	<i>Harty, Michael.</i>	
<i>Murphy, Eoghan.</i>	<i>Haughey, Seán.</i>	
<i>Naughten, Denis.</i>	<i>Healy, Seamus.</i>	
<i>Naughton, Hildegard.</i>	<i>Kelleher, Billy.</i>	
<i>Neville, Tom.</i>	<i>Kenny, Gino.</i>	
<i>Noonan, Michael.</i>	<i>Kenny, Martin.</i>	
<i>O'Connell, Kate.</i>	<i>Lahart, John.</i>	
<i>O'Donovan, Patrick.</i>	<i>Lawless, James.</i>	
<i>O'Dowd, Fergus.</i>	<i>MacSharry, Marc.</i>	
<i>O'Sullivan, Jan.</i>	<i>McConalogue, Charlie.</i>	

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<i>Penrose, Willie.</i>	<i>McDonald, Mary Lou.</i>	
<i>Phelan, John Paul.</i>	<i>McGrath, Mattie.</i>	
<i>Ring, Michael.</i>	<i>McGrath, Michael.</i>	
<i>Rock, Noel.</i>	<i>McGuinness, John.</i>	
<i>Ross, Shane.</i>	<i>Mitchell, Denise.</i>	
<i>Ryan, Brendan.</i>	<i>Moynihan, Aindrias.</i>	
<i>Ryan, Eamon.</i>	<i>Moynihan, Michael.</i>	
<i>Stanton, David.</i>	<i>Munster, Imelda.</i>	
<i>Zappone, Katherine.</i>	<i>Murphy O'Mahony, Margaret.</i>	
	<i>Murphy, Eugene.</i>	
	<i>Murphy, Paul.</i>	
	<i>Nolan, Carol.</i>	
	<i>O'Brien, Darragh.</i>	
	<i>O'Brien, Jonathan.</i>	
	<i>O'Callaghan, Jim.</i>	
	<i>O'Dea, Willie.</i>	
	<i>O'Keefe, Kevin.</i>	
	<i>O'Loughlin, Fiona.</i>	
	<i>O'Reilly, Louise.</i>	
	<i>O'Rourke, Frank.</i>	
	<i>O'Sullivan, Maureen.</i>	
	<i>Ó Caoláin, Caoimhghín.</i>	
	<i>Ó Cuív, Éamon.</i>	
	<i>Pringle, Thomas.</i>	
	<i>Quinlivan, Maurice.</i>	
	<i>Scanlon, Eamon.</i>	
	<i>Smith, Brendan.</i>	
	<i>Smyth, Niamh.</i>	
	<i>Stanley, Brian.</i>	
	<i>Tóibín, Peadar.</i>	
	<i>Troy, Robert.</i>	

Tellers: Tá, Deputies Seán Kyne and Tony McLoughlin; Níl, Deputies Jonathan O'Brien and Martin Kenny.

Amendment declared lost.

Question, "That the Bill be now read a Second Time," put and agreed to.

**Local Government (Water Pollution) (Amendment) Bill 2018: Referral to Select Committee [Private Members]**

**Deputy Martin Kenny:** I move:

That the Bill be referred to the Select Committee on Housing, Planning and Local Government pursuant to Standing Orders 84A(3)(a) and 141.

Question put and agreed to.

*Sitting suspended at 1.20 p.m. and resumed at 2 p.m.*

*2 o'clock*

**Finance Bill 2018: Report Stage (Resumed)**

**An Ceann Comhairle:** Amendment No. 18 is in the names of Deputies Paul Murphy, Barry and Coppinger. As none of them is present to move it, we will have to proceed.

Amendment No. 18 not moved.

**An Ceann Comhairle:** Amendment No. 19 has been ruled out of order.

Amendment No. 19 not moved.

**An Ceann Comhairle:** Amendments Nos. 20 and 21 are related and will be discussed together.

**Deputy Pearse Doherty:** I move amendment No. 20:

In page 124, to delete lines 12 to 17.

We discussed this issue at length on Committee Stage. It is one I raised for a number of years with the Minister's predecessors. It concerns the need for bookies, those placing bets and the industry as a whole to pay more tax. That there is a need for a larger contribution is accepted across the industry. Currently, the rate is 1% rate. A 2% rate is proposed in the Bill. During the years I have examined the accounts of many independent retailers. The increase would have a dramatic and, possibly, drastic effect in that it could move them from profitability to loss making and, therefore, lead to the closure of some independent retailers, with the associated loss of jobs which are mostly in rural Ireland. That would only be to the advantage of some of the larger operators and possibly move more people to bet online. For a long time we have been arguing for a 3% rate to be placed on the punter, not the industry which would face a challenge in absorbing the increase, given its profitability. The Minister has not agreed to that proposal. We debated the issue on Committee Stage, which is why we, in Sinn Féin, have tabled an amendment to delete the lines that increase betting duty. I am doing so reluctantly, as I believe the industry should pay more tax, but at this stage in our discussions on the Finance Bill, it is clear that there is no other option but to seek to delete the lines. Otherwise, the Bill will have a drastic effect.

I am conscious of the damage a gambling addiction can inflict in our society and have long argued for an increase in betting duty, but it is being done in a way that will hit the smaller, independent bookies far more. There is a proposal from the industry on methodology. I understand that, although there was not universal acceptance of a gross profits model in the past, there is now. It is similar to the model operated in Britain. The industry has argued in favour of rates of 10% and 20% on different sectors. This model is worth considering. Despite our position on the imposition of a 3% tax on the punter, we are open to considering the proposed model. I, therefore, urge the Minister not to proceed with the measure proposed in the Bill at this time. On Committee Stage he acknowledged that every tax increase could have an impact, but this one could have a very clear impact. Sometimes, it is up to us to weigh the impacts and benefits. We are also conscious that the costings are just a multiplier of the increase from 1% to 2% without any real extrapolation of the effects on independent retailers. For that reason, I will oppose this section of the Bill.

**Deputy Michael McGrath:** We had a good discussion on this issue on Committee Stage. It is widely acknowledged that the change will have a significant and detrimental impact on independent bookmakers, in particular. I support Deputy Pearse Doherty's point about the wider context, which is why we have been calling consistently for progress on the Gambling Control Bill 2018 to deal with problem gambling. The industry needs to play a full part in dealing with such issues because problem gambling can destroy lives. However, that is not the subject of this discussion.

Whenever the Minister proposes a tax increase, I imagine vested interests, including those directly affected, make arguments to him on its likely impact. He has to assess whether they are crying wolf or whether what they are saying is borne out by the evidence. That is a judgment we have to make, too. We must assess the information and feedback we are getting. It is my judgment that the change will have serious consequences for the independent bookmaker sector. Bookmakers have opened their books to many of us and we have examined financial statements.

By its nature, a turnover tax is crude, but that is the model that has been in place for some time. The sector has proposed a gross profits tax. From the bookmakers' perspective, the proposal has been fully costed and is supported generally across the industry. They submit the view that such a tax would be likely to bring in more money than the projected yield from the Minister's change under the Bill, which is in the region of €40 million in 2019 and just over €50 million in a full year.

These claims need to be evaluated thoroughly. The sector contests many of the claims the Minister has made, including on Committee Stage, about its engagement in the period during which this issue has been discussed. However, all of that is academic at this point. We are at the eleventh hour and there is a proposal contained in the Finance Bill. We have an amendment, No. 21, which seeks the making of an economic impact assessment of the change on the independent bookmaker sector. Given that the first stream of payments of betting duty in 2019 will be in April, is there any window of opportunity to conduct the assessment while progressing a comprehensive evaluation of the proposal that has been made for a gross profits tax?

**Deputy Peter Fitzpatrick:** The entire profits of the retail betting sector are in the region of €35 million per year. Doubling the tax from 1% to 2% constitutes a 100% increase which will wipe out all of the sector's profits. In the past ten years there have been 515 closures. If the 2% rate had remained in place, there would have been more. Currently, there are approximately

850 betting shops throughout the country. Bookmakers are only starting to see a slight increase in business. If this increase goes ahead, it is estimated that it will lead to between 350 and 400 more closures, resulting in job losses of approximately 2,500. This will cost the Exchequer approximately €35 million, with a further €1 million in commercial rates lost. If these shops close it will have a serious effect on families and on subcontractors, window cleaners, local newsagents, plumbers, electricians, shopfitters, computer and IT services, printers and so on. It is estimated that another 900 indirect jobs will be lost. The total number of jobs lost could reach 3,400.

In my town of Dundalk Boyle Sports employs more than 400 people. It is making profits and paying its taxes. It makes no sense to tax turnover and makes far more sense to tax profits. All over the world, bookmakers are taxed on their profits and I do not see why Ireland should be any different. The Minister cannot ask bookmakers that are not making profits to pay tax. He must go after the bigger bookmakers that are making bigger profits and get them to pay more tax. It is important to ensure that small bookmakers survive. This provision has been described as an anti-gambling measure but if we lose 2,500 direct jobs and another 900 indirect jobs, I do not know what will happen. Years ago there was a black market in gambling and the last thing we want is to see that returning. It does not make sense to tax turnover. We should do what every other country does and tax the profits. We must think of the jobs that will be lost and the families that will be affected by that.

**Deputy Aindrias Moynihan:** Táim chun díriú i dtosach ar leasú Uimh. 21 maidir leis an tuairisc mar tá buairt i measc geallghlacadóirí ar fud na tíre, go háirithe na comhlachtaí beaga áitiúla. Tá brú orthu agus braitheann siad go mbeidh an leasú seo ag teacht isteach go trom orthu agus go gcuirfidh sé fostaíocht i mbaol. Ní theastódh uainn go dtarlódh a leithéid, go háirithe i measc bailte beaga i mo cheantar, ach caithfear rud éigin a dhéanamh. Aithníonn muid go bhfuil fadhb ag go leor daoine, go bhfuil siad ag leagadh síos geallta arís agus arís eile agus go bhfuil sé sin ag cur isteach ar chúrsaí sa bhaile agus go bhfuil fadhbanna ann. Ba chóir go mbeadh srian curtha ar sin agus tacaíocht tugtha dóibh ach b'fhéidir gur chóir an t-ualach a leagadh ar an duine atá ag leagadh an geall in ionad an comhlacht beag agus a bheith ag cur fostaíocht i mbaol. Caithfear athbhreithniú a dhéanamh le féachaint an bhfuil slí níos fearr ann.

Slí amháin nó slí eile, caithfear dul i ngleic leis an bhfadhb. Mar atá leagtha síos i leasú Uimh. 21, ba chóir tuairisc a dhéanamh ar an moladh seo de 2% agus d'fhéadfaí teacht ar ais arís agus féachaint ar cén saghas feabhas a bheadh ann. Cuidim leis an leasú chun fanacht trí mhí agus tuairisc a thabhairt ar ais.

**Deputy Kevin O'Keeffe:** I wholeheartedly endorse the amendment tabled by my party colleague, Deputy Michael McGrath, although ideally I would like to see no increase coming into effect. We must acknowledge the role played by bookmakers in our communities. They provide much-needed employment. In the early years, bookmakers were mainly associated with horse racing but they have now expanded into all types of sport and many provide direct sponsorship. Some of the funds from the increase in the betting tax will go directly into the pocket of Horse Racing Ireland, HRI, but if one goes racing these days one will see that the crowds are small except when the bookmakers provide sponsorship. That is how the tracks attract customers. I have noticed that at certain festival meetings but also in my own backyard in Cork. Paddy Power recently sponsored a race and gave out free tickets. If the HRI got the money for that race meeting, there would not have been any additional people at it. Sponsorship entices people to go to meetings and is an invaluable resource. This in turn generates other indirect revenue through spending at the courses on hospitality and so on which also benefits the Exchequer. We

recently got rid of one source of sponsorship for sport by way of the Public Health (Alcohol) Bill and the sources of funding for such sponsorship are drying up. This tax will further reduce sponsorship options for communities and sporting organisations, large and small.

I ask the Minister to consider, as part of this review, the proposal made on gross profits. I also urge him to accept the amendment and come back to the House in three months' time so that we can see what damage has been done.

**Deputy Mary Butler:** I understand the challenges faced by those with a gambling addiction and the ongoing issues that it raises for families. I am fully aware of the negative effect it can have on individuals and on children in particular. Gambling addiction is a very serious issue and some people find it very hard to cope with gambling. However, in the context of the proposed tax increase from 1% to 2%, we must ask how we can minimise the damage done to employment in the domestic economy. This will be a major blow to the many men and women who work in the sector. There is a genuine fear that hundreds of betting shops, including many in my constituency, will close as a result of this tax increase. I fully endorse my party colleague's very constructive amendment which calls for a review of the increase in three months' time to assess the damage it has done.

I would like the Minister to make a move on the online betting market, which has exploded in recent years. It is now possible to pick up a smartphone, download an application, get an upfront allowance and bet away to one's heart's content. I believe we should be targeting the online market. There are lots of local bookmakers that do not operate on a big scale and which play an important role in the context of social isolation in rural areas. Some people go along to the local betting shop in a small town or village and they have a chat, a cup of tea or coffee and have a small flutter on a horse or on the lottery. There is a degree of social engagement attached to it. While I certainly understand all of the issues around gambling addiction and welcome that some of the money raised will be spent on that problem area, we must look at the effect this tax increase will have on small independent bookmakers who are finding it hard to stay in business.

**Deputy Robert Troy:** The point is well laboured. It has been laboured in this Chamber and also at committee. As I understand it, it has also been laboured at Fine Gael Parliamentary Party meetings. I am very conscious that what I say here is restricted in the sense that Fianna Fáil Deputies are constrained in what we can do and what amendments we can table under the confidence and supply arrangement. We cannot ask the Minister to stop and refrain from doing this. We can, however, ask him to press the pause button and reconsider. My understanding of the responsibility of Government is to pursue policies that will assist in job creation. Fine Gael had its annual Ard-Fheis last week at which it claimed it is the party of jobs but what the Minister is doing with this tax increase is far from pursuing a policy that will support job creation. This policy will cost jobs, not in multinational companies but in small indigenous family bookmakers.

The Minister has admitted the Department did not conduct a proper analysis of this proposal. The Minister has admitted that the only reason he cannot press the pause button and change his mind on this is because he is afraid that it will unwind the whole budgetary process. That is not a good enough reason to pursue a policy that will cost jobs. What the Minister is doing is wrong. To be fair to this industry, it is not asking that it does not pay its fair share. In fact, the industry has come forward with costed proposals that will deliver more for the Exchequer than what the Minister is proposing.

Gambling is a serious issue and people think that, because it is a serious issue and causes such hardship in certain families, it is fair to attack the industry. The serious gambling issues occur online which the Minister is not addressing. The areas where there is an element of supervision and control is in the small family-owned bookies where they know their customers, and that is where the Minister is focusing his attention. It is wrong. The Minister has the opportunity to be a bigger man and admit he got it wrong on budget day and say he will review it within three months, as my colleague has suggested. He will see at that stage that it was the wrong decision and he will have the opportunity, within three months, to implement the proposals that have been put forward by the industry and signed up to by the multinationals and, indeed, by the small, family-owned businesses.

**Minister for Finance (Deputy Paschal Donohoe):** I outlined the rationale as to why I am making this move on Committee Stage. I thank Deputies Fitzpatrick, O’Keeffe, Aindrias Moynihan, Troy and Butler for the points they have brought in at this point.

There a couple of points I would make. Every decision that I make, particularly in taxation, has consequences, and I have no doubt at all that if I had followed any of the other suggestions that have been put to me, and Deputy Pearse Doherty outlined a number of them, each of those would also have had consequences that would have been raised in the Chamber. There is no taxation decision I can make that does not have consequences in some part of our economy.

This betting duty is at 1%. It is at the lowest level it has been since 2006 and I ask colleagues to reflect as to whether we have any other levies or taxes that have not changed since that point given the kind of change that has happened since, where all parts of our economy and all forms of enterprise were asked to contribute more in response to the significant difficulty that we were in. Given the situation we are in now and the objective that I understand is shared by all Deputies who have spoken, or at least by their parties, of trying to broaden our tax base and find ways to make tax revenue more sustainable, surely we should be looking at the appropriate level of tax contribution that different businesses can make. I repeat that this is a levy that is nearly unique, out of all forms of contributions that different areas of our economy have made, in not changing at all for more than 12 years.

The Deputies are right. Some of them have made the point that I have acknowledged that there are consequences for this decision, as I have acknowledged for every other tax change I have stood over. The challenge I face, which is shared by some of the Deputies but is unique to me, is that I have to try to make decisions on the basis of information that is available to me, conscious that every decision I make can have negative consequences in certain parts of our economy. I have to try to calibrate that level of consequence. I stand fully over the decision I have made to date and I am standing over it in this Finance Bill. We need to be asking different areas of our economy to make contributions to the funding of public services. All parties here, at this point, have advocated the need for this sector to make more of a contribution, and I assure them that, for any of the different options they would put forward, they would face similar considerations to those I face today.

On the particular issue Deputy Michael McGrath has put to me, I have indicated on Committee Stage that I will keep this measure under review to see what impact it has in the sector across 2019. The challenge I face in considering the Deputy’s amendment is that the deadline he places on it is to lay a report within the first 12 weeks of this measure being implemented. The specific challenge for that proposal is that the betting liability itself, the duty liability, does not fall to be paid until on or before 15 April. It is paid after the quarter. What I am happy to



do, as I would do with any measure, is to look at the implementation across next year, especially when we get information from tax about it, and I will engage constructively with the sector on the proposals that are put forward.

When measures such as the proposals that are now being put to me, whether relating to a levy to be paid by the punter, the person pressing the wager, or relating to the gross profits tax, were looked at before, many different voices also had issues about them. I am happy to look at the implementation of this measure or the effect of this measure, particularly when we have information as we move through next year, but I am not in a position to accept the amendments that have been tabled.

**Deputy Pearse Doherty:** I have rehearsed on many occasions that I can remember going into the bookies with my father when the betting duty was 20%. It was then reduced to 10%, 5%, 2% and 1%. We have to weigh up if there is a better way to ensure we get the same amount of tax, if not more, without an impact on jobs and especially in rural communities. There is a proposal before us that has merit. There was not universal support for it. There is now universal support within the industry.

Given those facts, we need to not proceed with this measure now. On that basis, I will be pushing my amendment. While I understand the difficulties in terms of confidence and supply, jobs will be lost in rural communities, so I appeal to everybody in the House to support this amendment, thereby ensuring this increase does not take place. Instead, we can ensure an efficient levy is imposed on the industry so that it pays the same amount of tax, if not more, and we protect jobs and services in rural communities.

**Deputy Noel Rock:** Can I come in on this?

**An Ceann Comhairle:** No. Sorry, the Deputy cannot because Deputy Doherty, having moved the amendment, had the right to speak a second time. Nobody else can contribute because he has moved and wrapped up.

**Deputy Michael McGrath:** The amendments are grouped, so do I not get a second chance?

**An Ceann Comhairle:** There is only one mover. I am sorry. Go on, Deputy McGrath.

**Deputy Michael McGrath:** I will be brief. In effect, the Minister is asking me not to press the amendment, so I have to ask what exactly he is committing to. We have asked for a report on the economic impact assessment of this measure. The context is clear. The trend is accelerating. The move to online gambling is very evident for all of us to see, and the concern is that we will quickly see closures, people will be put on protective notice, and there will be redundancies. We are all aware of the level of costs that the retail bookmakers, with a physical store, have to carry, so they are at a significant disadvantage. An alternative proposal has been put forward by them. I fully accept that has to be examined and probed rigorously by the Department and Revenue.

The Minister makes the point that the first returns under the betting duty are in April 2019. I acknowledge that, but my overarching concern is that it will be too late and we need to know if this alternative proposal that has been made stands up. We need to know if it will deliver a yield equal to or greater than the yield the Minister has projected from the increase in betting duty, which the industry would strongly assert will not be delivered because of the impact on jobs and so forth. I hope the Ceann Comhairle will allow the Minister in briefly - I am sure we

will make progress very quickly after this - because I need to ask what exactly the Minister is committing to. Is he committing to a report? When can we see that report?

**An Ceann Comhairle:** It seems if I give an inch, people want to take a mile. I will let the Minister give a brief response but first I want to bring in Deputy Joe Carey.

**Deputy Pearse Doherty:** And then I will get a chance to sum up?

**An Ceann Comhairle:** No, the Deputy will not.

**Deputy Joe Carey:** There has been a lot of debate about this issue and there has been engagement with the industry. A substantial proposal has been put forward and there is general agreement within the industry on it. The proposal obviously needs to be fully scrutinised. I make the point that this measure was not costed and that there will be unintended consequences as a result. It will hit small independent bookmakers in provincial towns in particular and will make them unviable. The Minister should consider initiating a review of this measure. He and his officials should engage directly with the parties concerned to come up with an alternative that would raise the same amount of money that the Minister wishes to raise through this measure. There is no doubt that the industry has done well over the years and that an increase in betting tax is merited to get more revenue from the industry, but it should be done in a different way. This alternative proposal should be robustly considered and, if it is found that it raises the amount of money the Minister has outlined, it should be taken on board. The only way to do that is to have a review, a report and engagement with the industry. I appeal to the Minister to give that his consideration.

**Deputy Paschal Donohoe:** Three points have been put to me for a response. Deputy Michael McGrath asked me what I have said I will do. First, I will evaluate the proposal that has been put to my Department in respect of a gross profit tax model. This proposal was shared with me very recently. I will make the point that when we engaged with the sector on this model the last time, there was not complete support for it. That support was not there. We would not be in the situation of trying to figure out how to broaden our tax base if we were not debating the levy now being introduced in the absence of agreement on how else this could be done. That is the reality of where we stand. Engagement happened and efforts were made. There was engagement on a betting charge which would only be paid by the punter. Let us be clear, a 3% change in that area would also have an effect on jobs and employment. That would be raised with the sector. Deputy Doherty has put forward that proposal in the past. That change would also have an effect on employment. We will evaluate this proposal. I am happy to report back to the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach on the proposal in the early part of next year as we evaluate it.

On the second point, as I have reiterated, there was not unanimous support in the industry in respect of how any other option put forward could be implemented. On the third, the timeline Deputy Michael McGrath's amendment asks me to meet simply cannot be met because we will not have the relevant information.

**Deputy Michael McGrath:** When can we do it?

**Deputy Paschal Donohoe:** As I have said, I am happy to engage with the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach on the proposal next year. In answer to the Deputy's question regarding when we can do it, I want to engage robustly on the proposal that has been put forward by the industry. We have only recently received a proposal

of this breadth. I would be happy to report back to and engage with the committee in this regard across the first quarter of next year.

Amendment put:

<i>The Dáil divided: Tá, 24; Níl, 39; Staon, 31.</i>		
<i>Tá</i>	<i>Níl</i>	<i>Staon</i>
<i>Boyd Barrett, Richard.</i>	<i>Barrett, Seán.</i>	<i>Aylward, Bobby.</i>
<i>Brady, John.</i>	<i>Brophy, Colm.</i>	<i>Brassil, John.</i>
<i>Broughan, Thomas P.</i>	<i>Burke, Peter.</i>	<i>Breathnach, Declan.</i>
<i>Buckley, Pat.</i>	<i>Byrne, Catherine.</i>	<i>Browne, James.</i>
<i>Connolly, Catherine.</i>	<i>Canney, Seán.</i>	<i>Butler, Mary.</i>
<i>Crowe, Seán.</i>	<i>Carey, Joe.</i>	<i>Casey, Pat.</i>
<i>Cullinane, David.</i>	<i>Creed, Michael.</i>	<i>Cassells, Shane.</i>
<i>Doherty, Pearse.</i>	<i>D'Arcy, Michael.</i>	<i>Chambers, Jack.</i>
<i>Ferris, Martin.</i>	<i>Daly, Jim.</i>	<i>Curran, John.</i>
<i>Fitzmaurice, Michael.</i>	<i>Deasy, John.</i>	<i>Fleming, Sean.</i>
<i>Fitzpatrick, Peter.</i>	<i>Donohoe, Paschal.</i>	<i>Gallagher, Pat The Cope.</i>
<i>Healy, Seamus.</i>	<i>Doyle, Andrew.</i>	<i>Haughey, Seán.</i>
<i>Howlin, Brendan.</i>	<i>Durkan, Bernard J.</i>	<i>Kelleher, Billy.</i>
<i>Kelly, Alan.</i>	<i>Farrell, Alan.</i>	<i>Lahart, John.</i>
<i>Kenny, Martin.</i>	<i>Fitzgerald, Frances.</i>	<i>Lawless, James.</i>
<i>McDonald, Mary Lou.</i>	<i>Flanagan, Charles.</i>	<i>McGrath, Mattie.</i>
<i>Munster, Imelda.</i>	<i>Grealish, Noel.</i>	<i>McGrath, Michael.</i>
<i>O'Reilly, Louise.</i>	<i>Griffin, Brendan.</i>	<i>McGuinness, John.</i>
<i>O'Sullivan, Jan.</i>	<i>Harris, Simon.</i>	<i>Moynihan, Aindrias.</i>
<i>Ó Broin, Eoin.</i>	<i>Heydon, Martin.</i>	<i>Murphy O'Mahony, Margaret.</i>
<i>Ó Caoláin, Caoimhghín.</i>	<i>Humphreys, Heather.</i>	<i>Murphy, Eugene.</i>
<i>Penrose, Willie.</i>	<i>Kyne, Seán.</i>	<i>O'Brien, Darragh.</i>
<i>Quinlivan, Maurice.</i>	<i>Lowry, Michael.</i>	<i>O'Callaghan, Jim.</i>
<i>Ryan, Brendan.</i>	<i>Madigan, Josepha.</i>	<i>O'Dea, Willie.</i>
	<i>McLoughlin, Tony.</i>	<i>O'Keefe, Kevin.</i>
	<i>Moran, Kevin Boxer.</i>	<i>O'Sullivan, Maureen.</i>
	<i>Murphy, Eoghan.</i>	<i>Rabbitte, Anne.</i>
	<i>Neville, Tom.</i>	<i>Scanlon, Eamon.</i>
	<i>Noonan, Michael.</i>	<i>Smith, Brendan.</i>
	<i>O'Connell, Kate.</i>	<i>Smyth, Niamh.</i>
	<i>O'Donovan, Patrick.</i>	<i>Troy, Robert.</i>
	<i>O'Dowd, Fergus.</i>	
	<i>Phelan, John Paul.</i>	
	<i>Ring, Michael.</i>	
	<i>Rock, Noel.</i>	
	<i>Ross, Shane.</i>	

	<b><i>Ryan, Eamon.</i></b>	
	<b><i>Stanton, David.</i></b>	
	<b><i>Zappone, Katherine.</i></b>	

Tellers: Tá, Deputies Pearse Doherty and Louise O'Reilly; Níl, Deputies Seán Kyne and Tony McLoughlin.

Amendment declared lost.

Amendments Nos. 21 and 22 not moved.

**Deputy Michael McGrath:** I move amendment No. 23:

In page 133, between lines 15 and 16, to insert the following:

**“Report on economic impact of VAT rebate on car rental sector**

**41.** The Minister shall within three months of the passing of this Act, prepare and lay before the Oireachtas a report assessing the economic impact of ending the VAT rebate on VRT on the car rental sector in section 37.”.

This amendment relates to the issue of the VAT rebate in the car rental and leasing sectors. I will deal initially with the issues in the car rental sector. During the Committee Stage debate the Minister made an estimate of the impact of the measure as being between €1.50 and €2 per vehicle per day. That estimate has been examined. The estimate presumes a pass-through spread across 12 months. The nature of the car rental market and the movement of the fleet mean that typically the measure should be spread across a period of three to five months.

The estimates I have seen, which were prepared by professionals, put the impact at a figure of between €5 and €8 per day for an average vehicle. For a typical tourist or customer who rents a car for seven days the impact is estimated to be between €36 and €55, which is not insignificant. North American tourists typically rent automatic vehicles or larger people carriers. The impact will be far greater, perhaps between €14 and €23 per day. The impact on the end consumer of this measure will be considerably greater than the estimate made by the Minister, which was based on certain assumptions.

At a time when VAT is going up in the tourism and hospitality sectors, this is further blow in cost competitiveness and to the offering we make. The nature of the car rental market has changed dramatically in the past 40 years. It is rather seasonal but we now have five large operators within the market. This is an extra significant cost.

The car leasing aspect got less attention on Committee Stage. The issue is that the change to VAT will impact on car leasing but will not impact on the other form of competition within that area, including hire purchase or people acquiring vehicles through loans. The potential is that this would have a significant impact on corporate and small and medium-sized car leasing businesses by resulting in rather hefty increase of perhaps €700 for an average vehicle in the

sector. The issue did not get a great deal of attention on Committee Stage but the impact is not insignificant.

Again, I have looked at the background to this, which dates back to 1992. The Minister has presented this as being a concession, a tax expenditure. There is a strong argument that it was in fact a tax equalisation measure at the time, one not intended to be temporary in nature. I call on the Minister to re-examine the matter and consider the amendment we have brought forward.

**Deputy Pearse Doherty:** We are well aware that this was a temporary measure that has lasted in our tax code for a period of 25 years. Anyone from the industry would be forgiven for thinking that it was always renewed, always in place and permanent.

One of the main issues I see is the sudden shock to the industry and the way the industry operates. I was rather impressed to see the size and scale of the sector and the number of cars leased when we were provided with documentation on the matter.

Several important factors are relevant. There was no consultation whatsoever with the industry. There was no economic impact study carried out before the change took place. Arguments have been put forward to the effect that there is a lack of understanding of the consequences that this could have given the sudden introduction of the measure. It is important that there should be consultation, that this should be delayed, and that we look at the impact of it.

Deputy McGrath referred to the range of time in which this cost could be absorbed. The details have been presented to me as well. Reference was made to a period of three to four months. Arguments have been put forward by the Minister that mitigation is provided by section 39, but that does not really apply in the case of Ireland given that we have right-hand steering wheel vehicles. Only two other European jurisdictions have the same type of vehicles and one of them is about to leave the European Union. Thus the question of mitigation does not really arise. I would encourage the Minister to rethink the timing of the proposal to carry out consultation with the industry. I am not suggesting the Minister must accept the view of those in the industry, but it is important to consult and look at the economic impact. Like many other Deputies I have been written to and contacted on this issue, including from representatives of the airport in Carrickfinn, which is an important economic enabler in our area. They have outlined the potential harm this could cause given the abruptness, short notice, how this is being brought in and how it impacts on plans already afoot.

**Deputy Paschal Donohoe:** On Committee Stage I covered the rationale and why I am making the change. The question I am posing to Deputies McGrath and Doherty is a simple one. Do we think this is worth €20 million per year of taxpayers' resources? To my mind, the answer to that question is no.

This measure has been in place since 1993. It has been there so long that it appears many were not even aware of its existence. We have to get to a point of asking ourselves about this. If we go to the effort of raising taxes elsewhere for sums of money not far away from €20 million, is it not legitimate to ask whether taxpayers' money is being well-used by putting it against an exemption or a change such as this? To my mind, the answer is no. I believe there are better ways of using the €20 million. We can use it to invest in public services or to fund changes we are making in taxes elsewhere.

We have covered the arguments in every debate. For every tax change we make, those looking at the debate and those looking at what I say on budget day come forward with claims that

a given measure has not been analysed, that the figures are not costed, that we will not bring in the revenue and that we are not aware of the consequences. These arguments are sometimes a recipe for changing course, but if they were to be used to pause everything I am doing, then we would end up not having a budget. My core contention to the House is that there are better ways of using €20 million of Exchequer resources. We have covered the rationale and need for this on Committee Stage. For that reason I am not in a position to accept the amendment.

**Deputy Michael McGrath:** Several points need to be made. First, this was not a budget day measure. It was not announced on budget day. It was not contained in the budget day booklet or within the summary of taxation measures. Certain measures that brought in as little as €2 million were singled out in the budget day booklet summary of tax measures. The Minister says this measure will bring in €20 million but it did not warrant a mention. Presumably it was not in play at the time, but between budget day and the publication of the Finance Bill the issue emerged and was put forward in the Bill, as published. There was no consultation and the out-of-the-blue nature of this is what has caused so much concern.

The Minister needs to accept some facts and realities. This will make our tourism offering less competitive. It will increase costs in the car rental sector. This affects not only tourists but also other consumers. There will be an implication and a cost. There is a potential impact when Ireland is being compared with other jurisdictions and no one knows what that is, but it will be taken in addition to the impact of the increase in the lower VAT rate.

When it comes to the car leasing sector, which is an important area for small and medium-sized businesses and corporate bodies throughout the country, car leasing will now be placed at a relative disadvantage to hire purchase arrangements, which is another manner of providing vehicles, as well as personal contract plan arrangements or indeed the provision of vehicles through debt loans.

*3 o'clock*

Car leasing will be placed at a relative disadvantage to hire purchase arrangements, another manner of providing vehicles, personal contract plan, PCP, arrangements, or the provision of vehicles through debt loans. There is a change within that stream of activity. Car leasing will become more expensive, with an average car costing around €700 more. The Minister of State has mentioned the figure of €20 million, but there is another side to the argument and it remains to be seen whether the €20 million will actually be collected. People deserve an explanation. From where did this measure come, given that it did not warrant a mention anywhere in the detail of the publications on budget day?

**An Ceann Comhairle:** Is the Deputy pressing the amendment?

**Deputy Michael McGrath:** Will the Minister of State respond?

**An Ceann Comhairle:** No; he cannot do so. The order was made earlier today.

**Deputy Michael McGrath:** I did not personally make it.

**An Ceann Comhairle:** The Deputy participated in the making of it. Is he pressing the amendment?

**Deputy Michael McGrath:** No; I will take up the matter with the Minister of State separately.

Amendment, by leave, withdrawn.

Amendment No. 24 not moved.

**Deputy Michael McGrath:** I move amendment No. 25

In page 134, between lines 1 and 2, to insert the following:

**“VAT treatment in respect of children’s footwear and clothes**

**45.** The Minister shall, within three months of the passing of this Act, prepare and lay before the Oireachtas a report on efforts by the Department of Finance to secure flexibility at EU level in relation to VAT on children’s clothes and footwear.”.

I will not labour this point, but I want to raise it in the context of the moves at European level to change EU VAT law which may open a window during which this issue may be revisited. In summary, I am raising the issue of the application of VAT to children’s footwear and clothes. The current legal position is that children’s footwear and clothes are exempt up to a certain age, beyond which VAT at the standard rate of 23% is applied. The exemption applies to average footwear and clothes sizes for a typical ten year old. We discussed this matter on Committee Stage. The average measurements for clothes are given as up to a chest size of 32 inches and a waste size of 26 inches and, for footwear, up to and including size 5.5 or 38 in European measurements.

There are two problems. Not every child is of average size and children are aged 11, 12, 13, 14 and 15 years when they are also teenagers. In retail outlets there is a completely different pricing mechanism for sizes that attract the VAT exemption. This is most obvious in the case of footwear. A pair of football boots or trainers up to size 5.5 might cost €40, but above that size they might cost €70 or €80. The application of VAT does not explain the difference in full, but it is being exploited by the introduction of a completely different pricing regime.

I am aware of the rules and we do not need to rehash them, but, as things stand, I believe the Minister of State’s hands are tied because he cannot introduce any new VAT exemption beyond what was designated when Article 110 of the VAT directive took effect on 1 January 1991. I acknowledge that Revenue has done some work in looking at average clothes and footwear sizes for a typical ten year old. It has not found any evidence that the current measurements are out of line, but there is not much evidence to back them up either. There does not seem to be a lot of information available, which I can understand.

We are aware of European Commission proposals to give member states more flexibility when it comes to VAT. The press release states the European Union’s common VAT rules which were agreed to by all member states in 1992 are out of date and too restrictive. I could not agree more. I am asking the Minister of State to give a commitment that the Government will raise this issue in the context of the changes at European level, with a view to achieving greater flexibility in order that we can bring about some changes.

**Deputy Pearse Doherty:** I add my support on this issue which we discussed at length on Committee Stage last year. In fairness, Deputy Michael McGrath has brought it up on numerous occasions. There are obviously anomalies. I am the father of four children. My eldest child is now 12 years old, but he wears a size 10 shoe and has done so for quite a while. As has been said, not every person is of average size. Some are taller than others. There is an is-

sue, but there is also a unique opportunity, given the forthcoming changes to VAT rules. It is important, therefore, that we consider commissioning a report, not just on children's clothes and footwear but also on all VAT rates. We are sick to the teeth of having to respond to those involved in emergency services who are out collecting money to provide vital equipment, be it defibrillators, mountain rescue equipment or adult bike helmets. These items are all subject to VAT, but as they are important, it should not be the case. The new list system will allow for the notification of certain items which will be limited to firearms and gambling, etc. We will have huge scope to move VAT rates if we so wish.

There are huge anomalies in the current system. I have spoken about mountain rescue equipment. In the discussions it emerged that sea rescue equipment was exempt but mountain rescue equipment was not. I come from a mountainous area and live beside the sea. It just does not make sense. It should not matter whether one's life is in jeopardy at the top of a peak or in the water. What is important that the equipment be treated in the same way. I also examined the issue with the Minister of State and sought a VAT exemption for mountain rescue vehicles. Will he update us on whether any progress has been made on the matter.

The amendment is timely, given the changes happening at EU level. It offers us an opportunity to look at the entire VAT regime. The tax strategy papers could specifically look at the issue of VAT and consider how we could deal with some of the serious anomalies raised by me and others in this Chamber in different areas.

**Minister of State at the Department of Finance (Deputy Michael D'Arcy):** If I recall correctly, we had much the same discussion this time last year. I will not go into the details, but I will mention the action plan for the future of VAT in the European Union. In January the European Commission published a proposal for the reform of VAT. The outcome of any discussion on the VAT rating proposal and the eventual adoption of the proposed legislation will clarify and establish the full scope available to Ministers and member states to alter the VAT rating of goods and services. However, other than an initial discussion at Council working party level in March, the VAT rating proposal has not been tabled for discussion by the last two Presidents. No reform of VAT rates can be based on the proposal until it is agreed to by Finance Ministers within the European Union. We all know that there are anomalies and peculiarities within VAT rates and structures. VRT on rescue vehicles falls into the same category. Until the discussions are concluded at European level we will not be able to consider the matter. It will also depend on the outcome of the discussions.

Deputy Michael McGrath was correct to say the analysis was carried out by Revenue of the average size of children. It seems there has been very little change in average size since the last time such an investigation was carried out in the 1980s. There has been a very little push from any part of the clothing and footwear sector on the issue, although I accept that there are anomalies. I have heard Deputy Pearse Doherty talk about how his son wears a size 10 shoe. When I was 20 years old I wore a size 8 shoe and my feet have not grown since. There are peculiarities. Sometimes people end up going to appalling expense if their children are larger than average.

**Deputy Michael McGrath:** Whatever way we dress it up or discuss the detail, the simple reality is that while notionally there is an exemption from VAT for children's shoes and clothes, for a significant minority of children, it does not apply. That is the issue I am looking to have addressed. While I accept that the Government's hands are more or less tied by EU law on value added tax, VAT, from what the Minister of State indicated, there is a window of opportunity. It will not go anywhere quickly. I know the wheels do not move quickly in Europe when



it comes to changing something of this significance. However, I want it to be on the radar of the Minister of State, the Minister and officials in the Department of Finance and Revenue that this issue will need to be examined in more detail when the opportunity presents. I accept that applying the exemption to larger sizes would potentially give rise to a significant cost. However, that is detail that can be worked through. If the principle is that these products should be exempt from VAT, that is an objective we should work towards.

Amendment, by leave, withdrawn.

**Deputy Michael McGrath:** I move amendment No. 26:

In page 134, between lines 1 and 2, to insert the following:

**“VAT on food supplements**

**45.** The Minister shall within three months of the passing of this Act, prepare and lay before the Oireachtas a report on the different rates of VAT charged on food supplements and on whether certain categories of food supplements should be retained in the zero rate VAT category.”.

This relates to the issue of VAT on food supplements. There was a detailed discussion of this issue on Committee Stage but some points need to be clarified and teased out in the Chamber. The comments made by the Taoiseach in the House when he was asked about this issue on Tuesday, 13 November were ill-advised, insulting and very disparaging to an important sector of the economy. He stated:

Food supplements very rarely do anything for our health. They are mostly snake oil and just cost people money.

**Deputy Mattie McGrath:** The snakes are over there.

**Deputy Michael McGrath:** People dedicate their lives to providing these products with the objective of making a commercial return but also of helping people in their lives. I do not know if those are comments that the Minister of State supports, but they were made by the leader of his Government.

**Deputy Mattie McGrath:** They are outrageous.

**Deputy Michael McGrath:** On the substantive issue, we seem to be in a grey area. The current system of VAT on food supplements is riven with disputes. There is a distinct lack of clarity. I would go as far as to say it is dysfunctional. Some people may be regarded by Revenue as compliant, while others may be regarded as not compliant. People often do not know whether they are compliant with the application of VAT law in this area.

On Committee Stage, the Minister stated that a Revenue concession allowing the zero VAT rate to be applied to certain types of food supplements such as vitamins, minerals and fish oils was no longer tenable. He explained that Revenue is carrying out a review and may issue some guidance in the coming period. It is clear that the Minister was considering legislative change in the Finance Bill to provide clarity to the sector but opted not to do so based on consultation with the Department of Health. I am not sure in which direction he intended to move the legislation, but there is now no legislative provision in place, which means we must rely on Revenue’s guidance and interpretation. I accept that the food supplements and nutrition sectors

are evolving and changing rapidly and it is not easy for Revenue to keep pace with them and apply law consistently because many of the products are composites of different components. However there is a distinct lack of clarity. The Minister says that vitamins, minerals and fish oils have a zero VAT rate. I have seen Revenue declarations confirming that other food supplements are also zero rated but they were not named by the Minister. There is a distinct lack of clarity and an inconsistency. People could be building up liabilities in the system of which they are not even aware.

**Deputy Pearse Doherty:** This is all about clarity. This issue has been dragging on for some time and the industry is entitled to the clarity it is seeking. In reply to a parliamentary question the Minister informed me that an expert report was received by Revenue more than a year ago and that he had looked at options prior to this budget and decided not to do anything legislatively. The industry tells us it is taking a pragmatic view, supporting the proposal by Revenue and the Department of Finance to introduce a reduced rate of VAT across the board. On the other hand, there are those who say the Department and Revenue are muddled and spinning and a zero rate of VAT is the only fair conclusion.

The industry is saying that any VAT rate needs to be lower than the first reduced rate of 13.5%. This would help secure the industry's support and avoid a consumer backlash. However, the clear message I have received from the industry is that the introduction of VAT would be more beneficial than the *status quo* and the ongoing disputes. It is also concerned that Revenue could move to a VAT rate of 23% on all products, which would meet with strong opposition from consumers and industry alike.

There is a need for clarity. I do not understand why this is taking so long. We have the expert report, which has not been published. As part of the deliberative process, the report is exempt from freedom of information requests. We need to hear from the Minister when a decision will be made on this issue. When will there be clarity? Surely to God it cannot take much longer to come up with a proposal.

**Deputy Brendan Howlin:** We need clarity on what we are discussing, namely, food supplements. These are legally designated as foods in the European Union, with their own directive, Directive No. 2002/46/EC. They are concentrated foodstuffs. They must be produced, presented and supplied in accordance with food law and are subject to the specific labelling requirements of foodstuffs. I say this because people can mix them up with sports supplements or cosmetic supports. Food supplements are a narrow and important category of foodstuffs.

I agree very strongly with the points made by Deputy McGrath. The Taoiseach's remark that all these products are snake oil was probably not thought out and probably made off the cuff. We are talking about fundamental vitamins, including folic acid which we encourage pregnant women to take. It is very unhelpful of the Taoiseach, who happens to be a medical doctor, to describe essential vitamins that are important in preventing disease in children as snake oil.

**Deputy Mattie McGrath:** I would not like to be his patient.

**Deputy Brendan Howlin:** That aside, clarity is now required in this regard. This cannot be a hit-and-miss exercise. I regret that there is not a clear legislative proposal to apply the zero rate to these designated foodstuffs so that the industry can have clarity. I ask the Minister of State to provide clarity today insofar as he can. This is a burgeoning industry. People are now looking to supplements to make healthy but affordable lifestyle choices. We should encourage

that, rather than put up barriers to it.

**Deputy Mattie McGrath:** I support the amendment. I have family members who play sport. Health foods and supplements are used all the time. As Deputy Howlin says, we encourage this and give these supplements to pregnant women. The Taoiseach is often accused of being sneaky but to call these products snake oil is an outrageous comment from a so-called medical doctor. Thank God neither I nor my family are his patients if that is what he calls health supplements. I know that medical people protect their own livelihoods and many do not like health foods, but these products are part and parcel of our lives now. In my constituency, this industry provides valuable employment, pays rates and health food shops are part of our high street. Goodness knows, the high street is under enough attack without imposing a punitive VAT rate on these products.

As Deputy Howlin said, these products are part of the food chain. They are food ingredients and the industry has to adhere to the relevant standards on labelling, packaging and everything else. I do not know whether it was a slip of the tongue or a sneaky move. I do not like the snake either. I support the amendment.

**Deputy Michael D'Arcy:** Revenue's position is that food supplements are not food and, as such, they are not entitled under VAT law to the zero rate of VAT.

**Deputy Brendan Howlin:** Regardless of Brexit.

**Deputy Michael D'Arcy:** Therefore, the standard rate of VAT applies. The concession in relation to vitamins and the like is proving unworkable as the industry seeks to use the concession to achieve a zero rating for much of the product range in the sector.

I accept there is confusion. What the Minister conceded on Committee Stage was that the tax strategy group, when it reports, will bring clarity to the entire food supplement sector. With more information available to us, we may then be able to deal with the matter more fully in budget 2019.

**Deputy Brendan Howlin:** Live horse and get supplements.

**Deputy Mattie McGrath:** Yes.

**Deputy Michael McGrath:** While the Minister gave the commitment described, in further conversation it became clear that the Revenue intends to issue guidance on the application of VAT in this area. We do not know whether the Revenue guidance or the review in the tax strategy papers will come first? I asked the Minister to give a commitment not to implement any change in respect of interpretation until we have the wider review in the tax strategy papers. That commitment was not given and we are now in limbo. More to the point, those directly involved in the sector are in limbo.

There is a clear lack of consistency here. Many of those affected do not know whether they are compliant. That is a concern because they could be building up liabilities which would ultimately result in businesses closing. Will the Minister of State provide clarity? Will Revenue guidance issue shortly for this area? If so, when is it likely to issue? What exactly will the review in the tax strategy group papers address?

**An Ceann Comhairle:** The Minister of State cannot respond now. I assume he will communicate to the Deputies on the matters raised.

**Deputy Michael D’Arcy:** Yes.

**Deputy Brendan Howlin:** To all of us.

Amendment, by leave, withdrawn.

**An Ceann Comhairle:** Amendment No. 27 in the name of Deputy Wallace is to be moved by Deputy Mattie McGrath.

**Deputy Mattie McGrath:** I move amendment No. 27:

In page 134, between lines 1 and 2, to insert the following:

**“Impact of VAT increase on hospitality sector**

**45.** The Minister shall, within 6 months of the passing of this Act, prepare and lay before the Oireachtas a report analysing the impact that the increase of VAT to 13.5 per cent has had on the hospitality sector, with particular regard to small businesses.”.

The Government’s decision to increase VAT on the hospital sector will have a devastating negative impact, especially on small businesses, throughout the country, including, strangely enough, the capital city where we all pay high prices for hotel rooms. Smaller businesses, both here and at remove from the city centre, will be significantly impacted by this measure. The reduced VAT rate was a welcome and necessary move at the time and it is still necessary.

I compliment Deputy Wallace, who apologises for his absence, on tabling this reasonable amendment. It requests that an impact assessment of the VAT increase on the hospitality sector be carried out after six months. This is seldom done in legislation.

This is a major issue, certainly outside the Pale. The reduced rate was bringing people back into hospitality businesses for food, drinks, etc., and generating business. It has proved successful. While we may have accepted a 1% increase in the VAT rate for the sector, reinstating the 13.5% rate is ridiculous. It was not expected by the industry as it had lobbied hard on the issue.

The Minister of State, Deputy D’Arcy, must know that restaurants and other parts of the hospitality sector are on their knees and struggling. The reduced rate was a big help to the sector because people started going out again in towns and villages, as well as the islands and other tourist areas, many of which had become economically depressed.

We want an impact assessment conducted on this measure. The adage, live horse and get grass, comes to mind. In the earlier discussion, it was live horse and get food supplements or snake oil. I do not think we will get grass, however, because we never do.

This was a foul and foolish move. As I said, the Minister could have decided to incrementally increase the lower VAT rate or made clear that he definitely intended to raise it to its previous level. However, to make this change in one fell swoop on budget day with immediate effect is regressive. The current rate benefitted everybody, including small enterprises and their employees, the self-employed and Revenue through the increase in the tax take generated by different businesses. It was a foolish move to go backwards in one fell swoop.

The Minister should at least give a commitment to conduct an impact assessment. I accept

that will be difficult because it is a case of Dublin versus the rest of the country. As I said, there are small enterprises such as restaurants outside Dublin city which are also struggling. It is having a serious negative impact on the whole hospitality industry. Some self-employed people will go out of business, which will have knock-on effects such as job losses and a loss of revenue from PRSI and other taxes. I appeal to the Minister of State to look at this amendment sensitively.

**Deputy Michael Fitzmaurice:** I speak in support of the amendment. The hospitality sector in Ireland has two parts. While I am not saying it is has not picked up everywhere and it is doing well in the major cities, unfortunately, especially during the week, there is a problem filling beds and in the food sector in many parts of the country. The increase in the VAT rate for the sector will have an adverse effect and the amendment makes a reasonable request to assess the impact of the measure. Such an assessment would give us a good guide, although the level of revenue from the sector will also give us a guide.

We need to be mindful that many areas of the country are only starting to recover. The recovery in Dublin has been much faster and many parts of the country are not experiencing the recovery that Dublin has experienced.

Different ideas, such as bed taxes, were floated. I understand that the large cities and other areas have done well, but there may also be small businesses that are struggling. It is imperative that we undertake this assessment to ensure we do not leave anybody behind or close doors. At the end of the day, the hospitality sector pays rates, VAT and taxes and, most important, employs people. We do not want to put pressure on the sector again.

**Deputy Brendan Howlin:** Deputy Noonan and I were the Ministers who introduced the reduced VAT rate and we did so for a purpose. It was not related to taxation but to what we could do to stimulate job creation at a time of mass unemployment, with unemployment approaching 500,000 at the time. It was felt that the most beneficial thing we could do was to reduce the VAT rate on the hospitality sector. The reduction worked spectacularly well. However, it was due for review as it was not meant to be a permanent decision.

Nobody in this House would argue against increasing the rate for the large hotel chains which are coining money. The decision we made in 2011, in the first 100 days of that Government, was a job creation measure. We included vulnerable sectors such as hairdressers and barbers at the time but these are not being exempted from the increase. As a once-off increase of 4%, this measure will have a very significant impact on sole-trader barbers and hairdressers whose margins are tight already. The least we can do, since we on this side cannot table amendments to change the VAT rate, is to have the impact of this measure reviewed, hopefully before people are driven out of business, in order that we can see if the 13.5% rate is a viable rate for this very vulnerable sector.

**Deputy John McGuinness:** I take Deputy Howlin's point that it was a measure to assist the sector, and in that regard it worked. To withdraw it in one go is not how business works. The Department should have conducted an impact analysis of the increase before the Minister announced it. Not every business is coining it. Some businesses, particularly in rural areas, are in serious difficulty and the Minister is adding significantly to their costs. Businesses work on the basis of projections for one, two or five years. I come from a city and county that rely heavily on tourism and have seen hotels struggle during those years. They received some relief in terms of that tax rate but they had ten years of hardship, of trying to keep the doors open, of investing

whatever surplus moneys they might have had into their business and of not being able to get loans for expansion and so on. In one fell swoop and without any analysis, the Minister turns it back to the previous rate. Jobs must be sustained and money is committed in the context of the business to sustain those jobs. What the Minister has done is take away that money that might have been relied upon to ensure jobs were not just created but sustained. It is the one single issue that clearly demonstrates the difference between the big urban centres like Dublin and the rest of the country because the rest of the country is struggling desperately to keep jobs in their regions and to ensure that they are there to play a part in the economic upturn whenever that happens in rural Ireland.

I ask the Minister to take a fresh look at this. Obviously, we cannot participate in a vote on it but I would certainly support ensuring that while the Government is carrying out the analysis, it ensures that these businesses are able to pay their bills and that support is there for them. If there is one thing the Government could do to illustrate that, it would be to assist businesses rather than put obstacles in their way.

**Deputy Pearse Doherty:** I support this recommendation, although I think a report in six months might be too late for certain areas. I have made the point very forcefully on Committee Stage that while there is merit in increasing the VAT rate to 13.5% for the hotel industry, there is no merit in that type of jump with regard to other areas of the hospitality and tourism sector. The Government is getting wrapped up in its own propaganda. We heard figures about jobs recently, which are to be welcomed in respect of the number of people in employment. This is a tribute to those entrepreneurs and workers who made such a success of it.

The Minister for Employment Affairs and Social Protection tweeted “a job for everybody who wants one”, which was a huge insult to many people in my constituency. More than 10,600 people in my constituency are on the live register. It goes to the fact that the Government does not understand the regions and does not understand that not every place is booming and thriving to the same degree as other parts of the country. The Minister owes an apology to the people who are busting their gut trying to seek employment, travelling long distances for interviews and sending in CVs. For the Minister for Employment Affairs and Social Protection to make such a derogatory comment and suggest that in some way they are lazy and do not want a job goes to the heart of it.

In many rural communities such as those in Donegal, services such as hairdressers, barbers or the local pubs that provide a bit of food on the side are now seeing a sudden jump from the 9% rate to 13.5%. This is not justified. As I said to the Minister, a more appropriate way to bring this in would be to introduce it in increments and allow for it to be absorbed by the industry as opposed to overnight. Deputy Jonathan O’Brien has told me about what is being played out in Cork in an area I would not have considered so much, namely, the effects on those planning to marry next year. These people have booked their accommodation and have their bills and budget for their wedding, which is the most important day of their life, and are now getting calls from hotels saying they have to put another €500 on the bill thanks to the Minister, Deputy Donohoe. The hairdressers that are booked are also saying that they have to increase the cost, along with the make-up and all the rest.

**Deputy Brendan Howlin:** The flowers.

**Deputy Pearse Doherty:** The flowers and all of that. The Government has wrecked a happy day for many couples so I can level that one at the Government. Perhaps I cannot blame

it for the performance of the Irish team earlier on. That is the genuine seriousness of this and this is how it plays out. This part of the measure was not appropriate. I know the hotel sector is a separate argument. I have long argued that the rate should increase for this sector. We need to bring in specific support for the regions in terms of the hotel sector in my area where another hotel closed during the winter period. This is not good. It is not good for tourism and our community. This increase should not go ahead for the other part of the hospitality and tourism sector.

**Deputy Eugene Murphy:** For a number of weeks I have said that this is a bad move for particular parts of the country. The argument has been outlined by a number of my colleagues. Where an establishment does not have the footfall, it will certainly suffer. There is no doubt that when the VAT rate was reduced to 9%, it had the effect of increasing employment, particularly in the restaurant sector. We found restaurants that otherwise would have not survived were setting up in small towns and villages and were able to survive. The message that is clearly coming back to me from those people is that some of them will close and some small hotels will reduce the number of staff.

We can talk about the hotel sector all day, but a lady running a family hotel told me that this VAT increase was the equivalent of two well-paid workers. While they may not be working full time, this measure will cost the owner almost €50,000 extra, so her intention is to reduce the number of staff. It is remarkable, because if any shop or business was surviving in rural Ireland, it was the hairdresser and the restaurant when many others had closed. The pity of this is that at the very time when we are talking about rural regeneration and putting money back into towns and villages, which I acknowledge, some of these businesses will definitely close. I said at an early stage that it was a retrograde step. I think it is wrong. I accept that we cannot have one tax in Dublin and a different tax in other parts of the country. I do not know whether something could have been done with regard to turnover but we need to do something about this because it will cost jobs, especially in rural areas.

This matter is causing concern to many small businesses. I know this because I still get representations about it weekly asking me whether anything can be done. I know there was talk about investing €35 million in the tourism industry. I do not know where that is and whether anything has been done to ease the sting of this measure. I do not know whether the Minister of State can tell us anything about this. We should remember that those businesses were hit hard in the rates review in recent years. Many of them had to pay extra rates on their small premises, so they have been hit pretty hard. I think it was Deputy Howlin who said earlier that many of them had to survive through hard years and had to make many sacrifices during that period. I would certainly support the comments of all my colleagues here. This must be kept under review. I would like to see something done with that €35 million to help those businesses that will struggle because of this.

**Deputy Michael D'Arcy:** The 9% VAT rate was introduced as a temporary measure in the Finance Act 2011 to cease at the end of 2013. This period was extended subsequently, but during last year's Finance Bill a commitment was given to undertake a review of the 9% VAT rate. Everybody knows that it was said here in this Chamber that the 9% VAT rate in budget 2018 would be considered at that stage.

**Deputy Brendan Howlin:** Reviewed.

**Deputy Michael D'Arcy:** Reviewed. The review was published in July 2018 and the bud-

get decision to increase the VAT rate was made following that analysis, which indicated that the majority of activity at the 9% rate is driven by income growth more than price and that the retention of the rate provides little additional benefit relative to its cost. The review of the 9% rate found that tourism expenditure is more sensitive to income growth and economic cycle than to price changes. The economy is performing well, with high levels of employment and strong demand in the tourism sector and growth expected to continue in the medium term. This positive economic outlook means that the income channel of demand is likely to ensure that the economic activity within the sector to which the 9% VAT rate applies remains strong. In this context, it is believed that the VAT rate applied to the tourism sector should not greatly impact demand or employment therein. In this circumstance, there does not appear to be a case for a review of the impact of an increase in the VAT rate on the hospitality sector within the next ten months.

A number of the issues raised are relevant issues but they are not relevant in terms of the VAT rate within the hospitality sector. There are areas that are struggling and areas that are performing well. There are pockets of rural Ireland that are performing well and other areas that are not doing as well but this is not due the VAT rate because the same rate of VAT applies in both instances. It is the product available that brings people to particular areas.

There are 2.27 million in employment in this State. We have never had more people working. When people are working, they are able to spend more and to pay a little extra VAT. Taking the example of a coffee and a scone that costs €5, the increase in VAT is 22.5 cent. I do not believe a 22.5 cent increase would cause anybody to not buy a coffee and a scone. There is a legitimate question about the regionality of the tourism sector but it is a different question than the VAT rate.

**Deputy Mattie McGrath:** The Minister of State mentioned that a review was carried out last year. Will he elaborate on what was reviewed and who carried out the review? He also mentioned that pockets of rural Ireland are doing very well. They are very scarce pockets because I do not know many areas that are doing well. In my constituency, there are many cottage industries providing bed and breakfast services and catering services, such as the Carraig Hotel in Carrick-on-Suir, Hotel Minella and Leisure Centre in Clonmel, Cahir House Hotel in Cahir and Great National Ballykisteen Golf Hotel in Tipperary, and hairdressers, that will be impacted by this increase. I hope it does not affect the beauticians or they will have to charge extra for the snake oil.

In regard to the review, there are pockets of Dublin where the hospitality is not doing well, with many establishments forced to sell a two-course meal for €10 to try to encourage customers in. That is a fact. I was in one such place recently. I could not believe the prices being charged. However, rural Ireland is most impacted. The reduced VAT rate was introduced by former Minister for Finance, Deputy Noonan, and former Minister for Public Expenditure and Reform, Deputy Howlin, for good reason. I accept it was to be a short-term measure but it proved to be successful. It was the spark that started new businesses and helped others to remain open.

The Minister of State said there had been a review of the reduced VAT rate. Was consideration given to an incremental increase to assist the people mentioned by Deputy McGuinness who have made five-year plans, who have taken out loans from banks to generate their businesses, and who need to service their debt? It is fine for the Minister of State to say that the cost of a coffee and a scone will increase by only 22.5 cent, but the increase on functions such



as weddings, birthday parties and bed nights will be greater. We are supposed to be the Ireland of a thousand welcomes. This is the basis on which many in the hospitality sector operate. The reduced rate helped them and it also helped new businesses to get up and running. It helped to regenerate villages and towns. The increase is a slap in the face for all of those people and businesses. It is a huge increase, amounting to almost 40% of the cost. It is too much too quick. The tourism sector and our fledgling cottage industries will not be able to sustain this increase. We need a review mechanism.

Amendment put:

<i>The Dáil divided: Tá, 23; Níl, 38; Staon, 23.</i>		
<i>Tá</i>	<i>Níl</i>	<i>Stاون</i>
<i>Brady, John.</i>	<i>Barrett, Seán.</i>	<i>Breathnach, Declan.</i>
<i>Buckley, Pat.</i>	<i>Boyd Barrett, Richard.</i>	<i>Broughan, Thomas P.</i>
<i>Collins, Michael.</i>	<i>Brophy, Colm.</i>	<i>Browne, James.</i>
<i>Crowe, Seán.</i>	<i>Bruton, Richard.</i>	<i>Casey, Pat.</i>
<i>Cullinane, David.</i>	<i>Burke, Peter.</i>	<i>Cassells, Shane.</i>
<i>Doherty, Pearse.</i>	<i>Byrne, Catherine.</i>	<i>Curran, John.</i>
<i>Fitzmaurice, Michael.</i>	<i>Canney, Seán.</i>	<i>Haughey, Seán.</i>
<i>Healy, Seamus.</i>	<i>Cannon, Ciarán.</i>	<i>Kelleher, Billy.</i>
<i>Howlin, Brendan.</i>	<i>Carey, Joe.</i>	<i>Lahart, John.</i>
<i>Kelly, Alan.</i>	<i>D'Arcy, Michael.</i>	<i>Lawless, James.</i>
<i>Kenny, Martin.</i>	<i>Deasy, John.</i>	<i>McGrath, Michael.</i>
<i>McGrath, Mattie.</i>	<i>Donohoe, Paschal.</i>	<i>McGuinness, John.</i>
<i>O'Brien, Jonathan.</i>	<i>Doyle, Andrew.</i>	<i>Moynihan, Aindrias.</i>
<i>O'Reilly, Louise.</i>	<i>Durkan, Bernard J.</i>	<i>Moynihan, Michael.</i>
<i>O'Sullivan, Jan.</i>	<i>Farrell, Alan.</i>	<i>Murphy, Eugene.</i>
<i>Ó Broin, Eoin.</i>	<i>Fitzgerald, Frances.</i>	<i>O'Brien, Darragh.</i>
<i>Ó Caoláin, Caoimhghín.</i>	<i>Flanagan, Charles.</i>	<i>O'Callaghan, Jim.</i>
<i>Ó Laoghaire, Donnchadh.</i>	<i>Grealish, Noel.</i>	<i>O'Keeffe, Kevin.</i>
<i>Pringle, Thomas.</i>	<i>Griffin, Brendan.</i>	<i>O'Loughlin, Fiona.</i>
<i>Ryan, Brendan.</i>	<i>Humphreys, Heather.</i>	<i>O'Sullivan, Maureen.</i>
<i>Ryan, Eamon.</i>	<i>Kyne, Seán.</i>	<i>Smith, Brendan.</i>
<i>Shortall, Róisín.</i>	<i>Lowry, Michael.</i>	<i>Smyth, Niamh.</i>
<i>Tóibín, Peadar.</i>	<i>Madigan, Josepha.</i>	<i>Troy, Robert.</i>
	<i>McEntee, Helen.</i>	
	<i>McLoughlin, Tony.</i>	
	<i>Mitchell O'Connor, Mary.</i>	
	<i>Moran, Kevin Boxer.</i>	
	<i>Murphy, Eoghan.</i>	
	<i>Noonan, Michael.</i>	
	<i>O'Connell, Kate.</i>	
	<i>O'Donovan, Patrick.</i>	
	<i>O'Dowd, Fergus.</i>	

	<b><i>Phelan, John Paul.</i></b>	
	<b><i>Ring, Michael.</i></b>	
	<b><i>Rock, Noel.</i></b>	
	<b><i>Ross, Shane.</i></b>	
	<b><i>Stanton, David.</i></b>	
	<b><i>Zappone, Katherine.</i></b>	

Tellers: Tá, Deputies Mattie McGrath and Michael Collins; Níl, Deputies Seán Kyne and Tony McLoughlin.

Amendment declared lost.

**Deputy Paschal Donohoe:** I move amendment No. 28:

In page 145, between lines 32 and 33, to insert the following:

**“Amendment of section 44 of Forestry Act 1988**

**62.** Section 44 of the Forestry Act 1988 is amended, in subsection (11) (amended by section 67(e) of the Ministers and Secretaries (Amendment) Act 2011), by substituting “paid by the Minister for Finance” for “paid by the Minister for Public Expenditure and Reform”.”.

Amendment agreed to.

**Deputy Brendan Howlin:** I move amendment No. 29:

In page 145, between lines 32 and 33, to insert the following:

**“Report on proposals for digital tax**

**62.** The Minister shall within one month from the passing of this Act prepare and lay before Dáil Éireann a report on the merits of a digital tax regime as proposed by a number of European Union Member States, indicating how such a tax might operate, the likely tax rate and whether the tax paid would be set off against other tax liabilities.”.

This amendment calls on the Minister to prepare and lay before the Dáil within one month of the passing of the Act a report on the merits of a digital tax regime as proposed by a number of European Union member states. There is an inevitability to a digital tax and we should at least prepare for it. I know the Minister has set his face against such a tax, but the analysis that would be required if this amendment is carried would be a good thing.

*4 o'clock*

It would be a good thing to see if we could offset tax from a sector making significant profits. I think there is universal acceptance that it is not paying its fair share of tax globally. There will be a regime of some description. What is emerging from European countries is analogous

to a levy on turnover, as opposed to what some countries are proposing which is a sales tax within each jurisdiction. I am opposed to that. We should be prepared for this, we should acknowledge it is coming downstream and that this sort of analysis should be done. This amendment will not impact on the Minister's budgetary arithmetic. I ask him to look favourably on this amendment and accept it so that work can be underway and we can have an informed discussion on the issue of digital tax in this House in the future.

**Deputy Richard Boyd Barrett:** I support this amendment. The biggest source of tax avoidance by corporations globally centres on this digital area. We know these companies can, essentially, write their own tax bills. In Ireland, that is because of loopholes that I believe we have helped them create. We have worked with them on a nod and a wink basis to create a situation to allow them to write down their taxable profits. That is done by having loopholes which allow the corporations to write-off the costs of payments for intellectual property or royalties on intellectual property. They make payments to themselves for the use of their own intellectual property.

Consequently, things that would be profits become costs and then become tax deductible. It is just a joke. It is assisting in accelerating inequality in the distribution of wealth to extraordinary proportions. These sorts of companies are leading the charge on this. A digital tax is a reasonable response to try to get a bit of tax back from these firms which specialise in avoiding tax.

If the Government has concerns that this might have a disproportionate effect on Ireland, then we should get out ahead of it. We should acknowledge there is a serious problem with tax injustice and tax avoidance and state we have a better solution to it. The starting point for that solution has to be acknowledgement of this serious problem. It should also be stated that what these companies are doing is immoral and we need mechanisms to deal with it. Then we go out and argue, in a positive way, for a way of dealing with that. On the other side of this debate, the bigger countries may be playing for their own advantage. I accept that. We should not, however, be just as bad as they are by stating we care only about our little bit of advantage.

There is a bigger picture here and that is of the big multinationals being parasitical in not wanting to pay their fair share of tax. We should look to address that problem. It is reasonable to have a report on this issue and also to have a serious discussion in this House about how we address it.

**Deputy Michael McGrath:** I will set out the Fianna Fáil position. We regard the digital tax proposals as the first step towards tax harmonisation through the back door. It is the thin end of the wedge and it does represent a transfer of taxing rights. It will also represent a transfer of actual tax revenue from smaller member states, such as Ireland, to larger member states. There is a need, undoubtedly, for further reform and changes to the way multinationals, particularly in the technology sector, are taxed. It should be done on a truly multilateral basis, however, at the level of the Organisation for Economic Co-operation and Development, OECD. There should be no mistake about this. Ireland would be a significant loser if this came to pass.

The Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach heard from the Revenue Commissioners on this issue when we met with it earlier this year. It was evident that there were many unanswered questions at that point as to how this would work. I believe they remain unanswered. It would, however, represent a transfer of taxing rights in the sense that where the service users are based is where most tax is going to be paid. Given the size of our population and economy relative to the European Union, it would not take a genius

to work out we will be a major loser in that context.

The next step will be the common consolidated corporate tax base, CCCTB. The European Commission keeps resurrecting these proposals which would represent a firm step towards tax harmonisation. Taxation is a national competence. We should protect and safeguard it. If we were to move towards CCCTB, there would be a system where profits to be taxed would be apportioned on the basis of where employees and assets are based and where turnover occurs. Ireland would again be a major loser, perhaps the single biggest loser in the European Union. We do have to be open to change and continue to co-operate with the OECD moves in this direction. In my view, however, this proposal on digital taxation is an attempt by larger countries within the European Union to secure taxing rights from smaller countries like Ireland.

**Deputy Paschal Donohoe:** There are two reasons why I am not in a position to accept this amendment. The first is the amount of work I and my Department have already done to try to meet the need to which this amendment refers. Officials from my Department and the Revenue Commissioners have appeared before the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach. On foot of those appearances we have already submitted a report to the committee laying out the different issues Ireland would face if this measure was implemented. I contend we have already done the report for which this amendment calls.

The second reason is that the taxation of the digital economy sector will change in the future. It is going to change in the same way as we have seen how other forms of corporate activity are taxed. The key point is how that change can happen in the safest way for Ireland. A change in tax policy that creates a trade risk is a big challenge for a small open trading economy such as Ireland. To avoid that happening, it is safer for our country and economy that agreement on this issue be reached with key trading partners, such as the United States of America and Japan, so that they have an opportunity to reach agreement with Europe on new ways to tax this sector.

Absent that, my great concern is that we could see Europe and Ireland going in one direction and then our trading partners deciding to respond in turn. That is quite a vista for us to have to face into. My view on this is clear. Taxation of the digital economy will change. The proposal from the European Commission, however, does not deal with issues such as how it would interact with national taxation measures. It does not deal with how exporting countries could be given comfort in respect of shifting the tax incidence into markets of consumption as opposed to where the value is created. For those reasons, I believe it is a safer venue and avenue for these matters to be dealt with by the OECD. On this amendment, as I discussed with Deputy Burton on Committee Stage, I have already supplied the key information for which this amendment calls. I am not, therefore, in a position to accept this amendment.

**Deputy Brendan Howlin:** I am well aware of the base erosion and profit sharing, BEPS, process. I dealt with it myself in Cabinet and at the OECD in Paris. The amendment suggests we should move away from blanket resistance to something we should, at least, be exploring. I refer to how this digital economy and the digital sector, which is making incredible profits - it is the most profitable industry on the planet - can pay its fair share of taxes. The amendment suggests we start that process in this jurisdiction. We must participate fully in the OECD process. The base erosion and profit shifting process was something we very much engaged with and we were certainly leaders in that field during Labour's time in government. I presume that is continuing. In the domestic economy we must still be prepared to look at issues as our own citizens and people in any forum I attend anywhere on the planet have a view that Ireland facilitates tax avoidance. Whether we like it or not, that is the perception. It is not helpful to our

international reputation.

I listened to Deputy Michael McGrath and in truth, past Governments facilitated the double Irish tax scheme and procedures we wound down because they were not acceptable. In a world where people are impoverished, there is the notion that enormous corporations make enormous profits that are not taxed. We cannot wash our hands of that. I understand the Minister is of the view that this work is already done but I have not seen it. Sending officials to speak to a committee of the House is not the sort of analysis I am talking about here. Maybe the timeframe involved is too narrow but it is something we should engage with so we can be prepared to deal with the reputational issues we have already endured and robustly argue, perhaps not for the model that the Minister finds objectionable but another model of taxing the digital economy. Let us be the proponents of such a model rather than be perceived as the defenders of the indefensible.

**Deputy Bernard J. Durkan:** I have a different view and I agree with the Minister.

**Deputy Brendan Howlin:** I thought I was wrapping up the amendment.

**An Leas-Cheann Comhairle:** If we are to abide by the order, it would normally be-----

**Deputy Bernard J. Durkan:** I do not mind.

**Deputy Brendan Howlin:** The order was changed this morning.

**Deputy Bernard J. Durkan:** I am in the Leas-Cheann Comhairle's hands.

**An Leas-Cheann Comhairle:** I will let you in the next time.

**Deputy Bernard J. Durkan:** Next time.

**Deputy Richard Boyd Barrett:** The next amendment.

**Deputy Michael McGrath:** The topic does not matter.

**An Leas-Cheann Comhairle:** You will be in the Chair later and can control the debate then.

Amendment put and declared lost.

Amendment No. 30 not moved.

**Deputy Richard Boyd Barrett:** I move amendment No. 31:

In page 145, between lines 32 and 33, to insert the following:

**“Report on tax revenue foregone**

62. Within 6 months of the passing of this act, the Minister shall produce a report on the actual or estimated tax revenue foregone, specifically in the area of property investment, as a result of section 110 tax relief on such investments, dating back to investments made since 2012 up to the present and in any future years where the benefit of this tax relief might still accrue.”.

I will be brief on this as we have discussed the topic quite a few times. The dog in the street

knows extortionate profits are being made in the property sector currently. Much of this profit is being made by investors, asset management companies, vulture funds or however we might want to describe the likes of the real estate investment trusts. They were invited here, it is fair to say, to buy property-related debt from NAMA and some of the banks we bailed out. They bought vast amounts of property and building land at discount prices and they have now gained a major foothold in the Irish property sector, playing a very significant role in generating the current housing and homelessness emergency. They are engaged in wholesale property speculation, land hoarding and efforts to evict and de-tenant properties bought off NAMA. I have had to fight quite a few cases in my own area where Cerberus and Apollo Global Management have tried to evict people or get around rent caps. All they are doing is trying to ratchet up the values of those properties and rents to extortionate levels.

Most of these people, particularly the outside investors, will benefit from this section 110 tax loophole if they hold their investments for a specified period of seven years. As well as making profits from rents and capital gains, they will then pay no tax on it. We could not make up that stuff. It is absolutely shocking. The public needs to know about this. There are many losers in the housing and homelessness emergency but there is a small cohort of winners who are being facilitated by these kinds of tax loopholes and Government policy in general. It is wrong and utterly shocking that when asked how much tax is forgone on this, the Government cannot or will not tell us. It must be to the tune of billions of euro, without a shadow of doubt, if we consider what is happening in the rental and property sectors.

**Deputy Michael D'Arcy:** Section 110 of the Taxes Consolidation Act 1997 sets out the regime for the taxation of special purpose vehicles set up to securitise assets. Securitisation is both useful for banks in freeing capital to allow them to continue to lend to all taxpayers and for the productive economy as it can underpin the supply of capital market financing to industries and companies in Ireland, Europe and further afield. Ireland is not unique in having a specific regime for securitisations. The importance of securitisation has been recognised by the European Commission through the work on the capital markets union, a main objective of which is to build a sustainable securitisation regime across the EU.

Section 110 companies can hold certain qualifying assets. Real property is not an asset that a qualifying company can hold but they can hold loans and other financial assets that derive their value from them. Following concerns raised by the Revenue Commissioners and subsequently by Deputies on the finance committee as to the use of section 110 companies to hold debt secured on Irish property, the Finance Act 2016 made changes to the taxation of section 110 companies to ensure profits derived from Irish land and buildings would be subject to tax in Ireland. Those changes took effect from 6 September 2016.

With regard to the specifics of the report proposed by the Deputies I am advised the Revenue Commissioners do not and could not collect the type of information required to calculate the tax that would have been paid had the section 110 process not existed. In the first instance, some of the business carried on through section 110 companies simply would not be carried on here, or it would have been carried on here differently. There is no method to take account of how behaviour would have changed had the regime not existed. Second, in the case of activity which would have taken place in Ireland in the absence of section 110, the hypothetical alternative tax would depend on exactly what the underlying business was and how it might otherwise have been structured, as a company, a partnership or an investment fund, for example. Any such estimate would therefore be highly subjective and could not be presented as an accurate assessment of the tax impact of section 110. I therefore cannot accept the Deputies' amendment.

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I will correct the Deputy's statement. The top 20 largest landlords in Ireland account for 3.8% of the total tenancies. The Deputy alluded to a large number of companies claiming use of section 110 but that is not the case.

**Deputy Richard Boyd Barrett:** I am mystified by the Minister of State's response. That percentage has definitely dramatically increased if we consider how these types of entities have come in. In the overall landlord sector, the number might be relatively small. That IRES REIT is the largest landlord in the country and is still buying up property loans and properties gives an indication of where the situation is heading. It was a deliberate policy.

This is analogous to the double Irish and the intangible assets debate in that windows were opened. The Minister of State mentioned that the Government changed the law in 2016, and it was around that time that the intangible assets measure reverted to 80%. A specific window was deliberately opened up for these people in terms of intangible assets and property. It is in that window that we have this enormous scandal of a large amount of tax and of NAMA and the banks unloading vast amounts of property, building land and loans related to those. I do not buy the argument that it cannot be quantified because behavioural changes might have occurred had we done things differently. That could be said about any tax. At the same time, the Government is well able to give figures on revenue forgone under other tax heads. The Government does not want to give us this figure because it is a staggeringly high one. If it came out, people would be scandalised by it. The idea that the Government cannot even give us an estimate of how much tax would be forgone if these entities paid normal levels of tax on this kind of activity stretches credibility.

Amendment put and declared lost.

**An Leas-Cheann Comhairle:** Amendment No. 32 is out of order because it is not relevant to the provisions of the-----

**Deputy Richard Boyd Barrett:** It is very relevant.

**An Leas-Cheann Comhairle:** It may well be, but I will tell the Deputy my reading of it. He can introduce report-style amendments, but they must be relevant to the provisions of the Bill. I understand that this one is about job creation and investment in universities and institutes of technology, which are not relevant to the Finance Bill.

**Deputy Brendan Howlin:** Motor on.

**Deputy Richard Boyd Barrett:** It is about the relief.

**An Leas-Cheann Comhairle:** I am sorry, but those matters are not relevant to this Bill. The amendment has to be solely about taxation. I ask the Deputy to accept my advice.

**Deputy Richard Boyd Barrett:** Seeing as how it is you, a Leas-Cheann Comhairle.

**Deputy Michael D'Arcy:** And it is Thursday evening.

Amendment No. 32 not moved.

**Deputy Richard Boyd Barrett:** I move amendment No. 33:

In page 145, between lines 32 and 33, to insert the following:

**“Corporate tax rate**

62. Within 6 months of the passing of this act, the Minister shall produce a report on establishing a minimum effective corporate tax rate of 12.5 per cent and the tax loopholes that are used to avoid paying this rate.”.

Amendment put and declared lost.

**An Leas-Cheann Comhairle:** Amendments Nos. 34 and 35 may be discussed together, as they are related.

**Deputy Richard Boyd Barrett:** I move amendment No. 34:

In page 145, between lines 32 and 33, to insert the following:

**“Bogus self-employment**

62. Within 6 months of the passing of this act the Minister shall prepare a report on the scale of bogus self-employment and measures that can be taken to prevent same.”.

This relates to some of our discussions on the section 481 tax relief and, more generally, the problem of bogus self-employment. In the short time available to me, I will put it to the Minister this way. It is an incredible fact that there are workers, such as pilots, construction workers and film workers, who are fighting to pay tax but are being prevented from doing so. When we discuss tax reliefs, we usually refer to people who do not want to pay tax, avoid it and make lots of profit, but there is a cohort of working people who are fighting for the right to pay tax and are being frustrated in their ability to secure employment where they pay tax. If they secured employment and, instead of being falsely classified as contractors or freelancers, were classified as PAYE workers, as they want to be, then everyone would gain. They would get some sort of security and continuity of employment and Revenue would gain additional tax income.

It would be a win-win situation except for certain classes of company, employer and so on who would rather not have to take responsibility for their employees, pay PRSI or pension contributions, pay sick pay and holiday pay and so forth and are instead deliberately playing the system. It gets even worse. Many of these companies that are trying to force bogus self-employment on people are in receipt of large sums of public money. We have discussed the film industry at length. There are protests under way on Gardiner Street in the Minister’s constituency - I have not been able to attend it this week because I have been so busy in here - where building workers at St. Mary’s Mansions are fighting for direct employment on an approved housing body, AHB, site where social housing is being constructed. Subbies are bringing people down who are working as bricklayers and classified as contractors despite in reality being employees. There are workers outside the gate who are fighting for direct employment as PAYE workers. That situation is wrong.

In all of these situations, be it in Ryanair, the film industry, the construction sector or other sectors, we need clear definitions of an employee. They are not difficult to devise. Does someone set people’s working hours, tell them when to go on lunch and pay them certain moneys for certain hours? If so, then they are employees. They are not contractors or businesses. Revenue needs to go into these places, be they in the film industry or construction industry, and say that someone will be classified and taxed as a PAYE worker.

**Deputy Michael Fitzmaurice:** There is something that has not been addressed yet, namely,



the new tax rules for self-employed people. More people will be pushed into being subbies. As I have mentioned, doing the paperwork under the new rules will cost employers €450 per employee from next January. That will put a small business in trouble.

I will tell the previous speaker something about the building sector. I have worked on construction sites and various road projects. Often, a main contractor gets the job. If I am from Galway, I price the blocklaying as a contractor. I will probably supply the cement, ready mix, trowels and the whole shebang. I take that job on price and I then employ people. That is the way it operates. Some people get confused and believe that the main contractor should be taking on everyone. The main contractor will not. A job may be for three or six months, after which people will be gone again. In the construction sector, someone will not work on a site for 20 years and get a pension out of it. That person is almost like a bird, flying from place to place. In particular, people from rural areas come to the likes of Dublin and do the ground work, which is taken on price. They employ others - I want to be clear on that front - and must do so under Construction Industry Federation, CIF, regulations. The person who subs the work from the main contractor is not big enough to take on the full contract. That is how we get subcontractors. There will always be subcontractors because there has to be. In every job around the country, there are subbies who do not have the turnover to take on the main contract. They could be in Dublin building or laying foundations and then be building 50 houses in Galway two months later. That is the nature of the business. I need to make that clear.

**Deputy Paschal Donohoe:** I thank Deputy Boyd Barrett for raising this issue and Deputy Fitzmaurice for contributing to it. We discussed it extensively on Committee Stage. At that time, I outlined to Deputy Boyd Barrett the work that was done when my Department and that of the Minister for Employment Affairs and Social Protection, Deputy Regina Doherty, published a report on intermediary-type structures, self-employment arrangements and the implications of same for social insurance and tax policy. We have also outlined a number of times the kind of work that the Revenue Commissioners are doing on dealing with the risk of tax evasion. In 2017, for example, Revenue participated in 1,800 construction site visits and conducted more than 10,000 interviews. Given the amount of work that the Revenue Commissioners are doing, the report that has just been published by two Departments on this issue and the recent campaign that was run by the Department of Employment Affairs and Social Protection encouraging people who felt they were being exploited to come forward, this issue is recognised by the Government and a great deal of effort is being made. This is an issue that is recognised by the Government and much effort is going into tackling it. Deputy Fitzmaurice has described the reality of workplaces today and the many reasons for smaller companies and subcontractors getting involved in the delivery of larger projects.

This is a matter that the Government takes seriously but given the report that has already been done on it, the work of the Oireachtas Joint Committee on Employment Affairs and Social Protection as well as the work being done by the Revenue Commissioners on it, I am not in a position to accept the amendment.

**Deputy Richard Boyd Barrett:** I accept that here has been some movement on this. It has been a long time coming and building workers have been fighting on this for many years but I accept that there has been movement from the Government and Revenue recently. However, more is needed. There is a protest in the Minister's constituency as we speak involving an approved housing body that is building houses with public money. The Minister should pop down and talk to those involved in that protest.

Deputy Fitzmaurice is correct in saying there may be legitimate reasons for subcontractors to be involved in projects. However, we must ask whether the people who are working for the contractor or subcontractor are getting payslips, are being properly taxed and properly classified. Is the subcontractor hiring lots of people who are all being classified as self-employed entrepreneurs? Often these workers are not self-employed and are getting paid less than they would be paid if they were directly employed. That is the main issue. Similarly, I have spoken to people working in the film industry who have told me that a lot of problems in that industry could be sorted quite easily. They suggest that officials from Revenue's joint investigations unit, JIU, or from the Department of Employment Affairs and Social Protection or the Department of Culture, Heritage and the Gaeltacht visit film production sites before filming starts and obtain a list of all of the people who will be working on the project, including their names and grades and whether they are working on contract or are self-employed. In that way, everyone will be properly classified and abuse cannot happen. This would require additional resources for Revenue, or whatever body is responsible, in order to be effective. Resources are needed, as is a willingness to do this properly. We also need legislation which is why a report on this, as per my amendment, would be good. We need legislation to tighten up things like the definition of an employee and an employer in order to make it easier to deal with the grey areas and the areas of dispute and abuse.

**An Leas-Cheann Comhairle:** I hope everyone understands that once the proposer winds up the discussion, there is no opportunity for others to contribute. How stands the amendment?

**Deputy Richard Boyd Barrett:** I am pressing my amendment.

Amendment put:

<i>The Dáil divided: Tá, 20; Níl, 37; Staon, 21.</i>		
<i>Tá</i>	<i>Níl</i>	<i>Stاون</i>
<i>Boyd Barrett, Richard.</i>	<i>Barrett, Seán.</i>	<i>Aylward, Bobby.</i>
<i>Brady, John.</i>	<i>Brophy, Colm.</i>	<i>Breathnach, Declan.</i>
<i>Broughan, Thomas P.</i>	<i>Bruton, Richard.</i>	<i>Butler, Mary.</i>
<i>Buckley, Pat.</i>	<i>Burke, Peter.</i>	<i>Casey, Pat.</i>
<i>Collins, Michael.</i>	<i>Byrne, Catherine.</i>	<i>Cassells, Shane.</i>
<i>Crowe, Seán.</i>	<i>Canney, Seán.</i>	<i>Curran, John.</i>
<i>Cullinane, David.</i>	<i>Cannon, Ciarán.</i>	<i>Dooley, Timmy.</i>
<i>Doherty, Pearse.</i>	<i>D'Arcy, Michael.</i>	<i>Fleming, Sean.</i>
<i>Healy, Seamus.</i>	<i>Daly, Jim.</i>	<i>Kelleher, Billy.</i>
<i>Howlin, Brendan.</i>	<i>Deasy, John.</i>	<i>Lahart, John.</i>
<i>Kelly, Alan.</i>	<i>Donohoe, Paschal.</i>	<i>Lawless, James.</i>
<i>Kenny, Martin.</i>	<i>Doyle, Andrew.</i>	<i>McGrath, Michael.</i>
<i>Ó Caoláin, Caoimhghín.</i>	<i>Durkan, Bernard J.</i>	<i>McGuinness, John.</i>
<i>Ó Laoghaire, Donnchadh.</i>	<i>Farrell, Alan.</i>	<i>Moynihan, Michael.</i>
<i>O'Brien, Jonathan.</i>	<i>Fitzgerald, Frances.</i>	<i>Murphy, Eugene.</i>
<i>O'Reilly, Louise.</i>	<i>Fitzmaurice, Michael.</i>	<i>O'Callaghan, Jim.</i>
<i>O'Sullivan, Maureen.</i>	<i>Flanagan, Charles.</i>	<i>O'Keefe, Kevin.</i>
<i>Pringle, Thomas.</i>	<i>Grealish, Noel.</i>	<i>Rabbitte, Anne.</i>
<i>Ryan, Eamon.</i>	<i>Griffin, Brendan.</i>	<i>Scanlon, Eamon.</i>

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<i>Tóibín, Peadar.</i>	<i>Humphreys, Heather.</i>	<i>Smith, Brendan.</i>
	<i>Kyne, Seán.</i>	<i>Smyth, Niamh.</i>
	<i>Lowry, Michael.</i>	
	<i>Madigan, Josepha.</i>	
	<i>McEntee, Helen.</i>	
	<i>McLoughlin, Tony.</i>	
	<i>Mitchell O'Connor, Mary.</i>	
	<i>Moran, Kevin Boxer.</i>	
	<i>Murphy, Eoghan.</i>	
	<i>Noonan, Michael.</i>	
	<i>O'Connell, Kate.</i>	
	<i>O'Dowd, Fergus.</i>	
	<i>Phelan, John Paul.</i>	
	<i>Ring, Michael.</i>	
	<i>Rock, Noel.</i>	
	<i>Ross, Shane.</i>	
	<i>Stanton, David.</i>	
	<i>Zappone, Katherine.</i>	

Tellers: Tá, Deputies Richard Boyd Barrett and Thomas P. Broughan; Níl, Deputies Seán Kyne and Tony McLoughlin.

Amendment declared lost.

**An Leas-Cheann Comhairle:** I know Deputy Boyd Barrett will accept the ruling that amendment No. 35 is out of order because it is not relevant.

Amendment No. 35 not moved.

**Deputy Pearse Doherty:** I move amendment No. 36:

In page 145, between lines 32 and 33, to insert the following:

**“Report on rate of exit tax**

**62.** Within one month of the passing of this Act the Minister shall lay a report before Dáil Éireann on the implications of increasing to 33 per cent the rate at which the exit tax in *section 31* is set at.”.

I welcome the introduction of a new exit tax because clearly the existing one was not fit for purpose. We know it is necessary under base erosion and profit shifting, BEPS, rather than a great initiative by this Government but, as usual, there is Irish exceptionalism when it comes to this exit tax. This tax applies to gains made on assets onshored and then moved offshore, so it seems like a straightforward case where capital gains tax should apply at the normal rate of

33%. If it is to be taxed as profit, then surely at least it would be on non-trading profit which, in our State, is a corporation tax rate of 25%. Either way, the 12.5% rate in this Finance Bill does not make sense.

We know from the tax strategy group papers that: “Responses to the Coffey/ATAD consultation focussed primarily on the rate to be applied in calculating the exit tax, with the majority favouring a 12.5% rate for assets in use for the purposes of a trade.” On a quick scan through those submissions that came in, only KPMG suggested a 12.5% rate. One could take that to the extreme and say that as KPMG was the only one it is the majority, but that is not a fair analysis or presentation of the facts. The exit tax needs to be tightened up. I welcome the fact that it is there; the issue we have is with the rate. The Minister has failed to convince me or my party as to why the 12.5% rate should apply. We have a capital gains tax rate of 33%. That relates to gains and this is about gains. It is likely that there will be depreciation in respect of these assets but any profits or gains should be taxed at the level at which we tax gains in this State. As I said, if it is to match the corporation tax rate it should at least be based on the rate for non-trading income, which is 25%, as opposed to the rate for trading income, which is 12.5%.

**Deputy Paschal Donohoe:** The introduction of the exit tax regime is an important development in ensuring that our corporate tax policy continues to meet the evolving international standards in respect of corporation tax policy. I explained on Committee Stage that the reason I was making this change at 12.5% was to bring it into line with the main trading rate of corporate tax. I also made the point that, though many more countries have yet to bring in the regime, the norm in many of the other EU member states that have brought it in has been to anchor the exit tax rate to the existing corporate tax, which is what I have done. They are the reasons I have made that change. If they do not convince the Deputy, that does not take away from the fact that this is the argument why I have done this and why I believe it is the correct rate to use.

It would not be appropriate to tax an unrealised gain at a higher rate as is suggested by the Deputy’s amendment for a number of reasons. The first is that the companies subject to the charge may have no intention of disposing of the asset and may, therefore, not actually realise any gain. The second reason is that the asset that is migrating might fall in value following migration, in which case a high rate of tax could well have been paid on a temporary value fluctuation. I acknowledge that the Deputy welcomes the fact that we are bringing in a regime. He clearly disagrees with the rate but I believe anchoring it to our existing corporation tax rate is appropriate.

Amendment put and declared lost.

**Deputy Pearse Doherty:** I move amendment No. 37:

In page 145, between lines 32 and 33, to insert the following:

“Report on income tax relief for individuals in rental accommodation

62. The Minister shall, within 6 months of the passing of this Act, prepare and lay before Dáil Éireann a report on an income tax relief equivalent in value to one month’s rent of an individual available to all renters not already in receipt of any State subsidy examining the social and economic impact of this measure in the context of historically high levels of rent for Irish citizens.”

In this Finance Bill landlords have been given accelerated tax breaks with no conditionality

at all attached. My amendment to oppose that measure has been ruled out of order. There are serious questions around that and I would look for more detailed explanations of how some of these amendments have been ruled out of order. I could go into that but my time is limited.

What I propose in this amendment is a tax relief equivalent to one month's rent for all renters in the State who are not already supported by the State. This would therefore exclude those receiving a subsidy such as the housing assistance payment, HAP, for example. As I outlined to the Minister in our alternative budget and on Committee Stage, this one month's rent back each year for three years would be accompanied by a rent cap or a rent freeze during that period. The third leg of this stool would be an increase in supply. We argued and advocated for a larger, much-increased capital programme which would see thousands more social, affordable and cost rental houses being built with direct funding from the State.

The great solution to the housing crisis the Minister came up with in budget 2019 was to increase landlord's tax relief on mortgage interest to 100%. Sinn Féin's alternative, as I said, has been rent relief for the renters who are facing the great crisis out there. The problem with the Government's proposal is that it is completely unconditional. There needs to be large amounts of conditionality. It should be ensured that landlords getting this very large tax break are providing affordable rents and security of tenure. This relief provides no incentive to reduce rents in an environment in which supply is still restricted.

Many people out there are put to the pin of their collars and many young people can never aspire to what their parents had before them, which is the simple ability to own one's own family home. That is particularly acute in the more urban areas of Dublin, Cork, Galway and elsewhere but it is also being felt more and more right across rural Ireland. That is a clear example of how we are failing on the issue of housing. The Minister likes to say that we are never returning to boom and bust but that is exactly what is happening here. We went from boom to bust and now we are going to boom again. There is a lack of ability to manage the issue of housing in this State. Government has never got a handle on it.

Rents have risen for the 25th consecutive quarter. Rents have reached an all-time high in each of the last ten quarters. Every single one of those quarters broke new records. Year on year we are seeing inflation of more than 10% and the Government is discussing accelerating tax relief for landlords. We want to see tax relief for renters. We want to see one month back for every person renting in the State for a period of three years. That is what this report calls for. It is about giving real relief to people and introducing a cap so that landlords cannot increase these rents any further. It is about giving breathing space at a time when the Government needs to ramp up the amount of money it is putting into social, affordable and cost rental houses to deal genuinely with the supply issue rather than tinkering around the edges.

**Deputy Richard Boyd Barrett:** I support this amendment, particularly given the very generous tax reliefs we discussed earlier which are to be given to those who are making extraordinary amounts of money out of property, rents and, frankly, profiteering off the back of the current housing and homelessness emergency. It has got to shocking levels. A new record was struck in the docklands area, which is in the Minister's constituency as it happens. Rents of €3,300 are proposed for apartments in a new block which has just been completed. That is just wrong. At this point surely the Government recognises that we have to do something in terms of real rent control. I do not refer just to rent caps: we need rents to be set at affordable levels.

This is done in other jurisdictions. People from local authorities or some other Government

or State body go in, look at places and at their size, take into account any reasonable factors and say that more than a given figure cannot be charged. We have to have that now, otherwise this will be a disaster on many levels. Even from the point of view of economic competitiveness, which may be more of a focus for the Government than the social and humanitarian side, we are not going to be able to get the people we need into this country to address labour and skills shortages or to keep our own young people from leaving the country if we cannot set affordable levels of rent. In the absence of that, the little bit of relief proposed in this amendment is a good idea, but the Minister really has to look at rent controls or we are in serious trouble. Many people are in serious trouble, as is our wider society and economy.

*5 o'clock*

**Deputy Michael McGrath:** I will be brief. As the Minister is aware, this is touching on a problematic area. We are all familiar with the staggering sight of dozens of people queueing to view a property that becomes available on the rental market. The inability to save is very real for people who are renting in the private market who want to purchase their own home. Even if they could service a mortgage, they cannot save a deposit to buy a home given that they are paying rent of between €1,500 and €2,000 or more, as Deputy Boyd Barrett said.

As Deputy Pearse Doherty acknowledged, this measure will only have a benefit if a rent cap is imposed. I ask the Minister to address that point, whether the Government has stretched the constitutional advice as to what can be done. We have rent control limits at the moment and the advice of the Attorney General and other legal advice was cited on a number of occasions when that measure was introduced.

The landlord tax relief is €10 million next year. From my perspective, it is a very modest measure to try to bring some stability to a market which is losing approximately 3,000 landlords every year. That is the reality. It is not a game changer. It is a very small measure and it might help to stem the exit of domestic landlords from the market. We have an inflow of very large institutional investor landlords but we need to have a rental stock spread throughout the country and within urban areas we need to have rental properties available in ones and twos spread across individual housing developments and along different streets. The large institutional investors will not provide that model of rental stock. They will buy large blocks within Dublin and perhaps other cities as well.

**Deputy Michael Fitzmaurice:** I support the amendment. I agree with Deputies Pearse Doherty, Michael McGrath and Boyd Barrett.

In recent days I heard Mr. Tom Parlon had been in Lithuania where we are supposed to be getting workers. People from the west to whom I have spoken go to England to work rather than Dublin because they can jump on an aeroplane in Knock and get accommodation in England. That is the reality. If we do not provide some rent relief we are coddling ourselves. To be blunt, going to Lithuania or other countries will not solve the problem given language barriers and other issues. Plenty of skilled people are leaving Knock Airport and Dublin Airport every Sunday night and Monday morning. The reason they are not going to the cities is because the rent is unaffordable. Unless we do something people will continue to go abroad.

I have friends in Canada where they can have a good lifestyle. They have houses and they are on pretty good money. We must incentivise them to stay here. Thousands of hugely skilled workers have left this country, and if the situation continues for much longer, they will settle

in those countries and they will not come back. It is sad to say that, especially given the many villages in rural areas that need people to live in them.

I urge the Minister to try to resolve the problem in the rental sector because to put it bluntly, people cannot afford it. If we bring in people from other countries, some of them do not have the skill base and it can take a while to get certified. They will not be able to afford the deposit that is required to rent a house. We are coddling ourselves at the moment by going on trips.

**Deputy Michael D’Arcy:** The previous tax relief in respect of rent paid was abolished in budget 2011, and it is no longer available to those who commenced renting for the first time from 8 December 2010. That followed a recommendation in the 2009 report by the Commission on Taxation that rent relief should be discontinued. The view of this independent commission was that, in the same manner in which mortgage interest relief increases the cost of housing, rent relief increases the cost of private rented accommodation. Accordingly, the result of reintroducing this relief could be seen as a transfer of Exchequer funding directly to landlords, which would not have the intended effect of reducing the pressure on tenants.

In the normal course of events, a tax credit of this nature would be of little benefit to lower income workers, the unemployed and students who may have little or no income tax liability. However, I understand from the discussion on Committee Stage that Deputy Pearse Doherty is proposing that the relief be in the form of a refundable tax credit. An approach on the lines the Deputy suggests would represent a significant shift which could have major policy implications far beyond the question of financial support for rent costs. It would take us into the area of income and welfare supports, which is currently the primary responsibility of the Minister for Employment Affairs and Social Protection.

In addition, this proposal, if it was accepted as outlined by the Deputy, would entail a very significant investment by Revenue to provide for it. Likewise, it would involve substantial investment by employers and payroll systems providers to develop new systems and procedures to handle refundable tax credits.

For those reasons, this is not a development that I am willing to consider at this time. The actions that the Government proposes to take to address concerns about the cost of rental accommodation are set out in Rebuilding Ireland - Action Plan for Housing and Homelessness.

At the time of its abolition, the rental tax relief cost the Exchequer up to €97 million per annum, and it is likely that there would be an even higher cost were a similar scheme to be introduced. It would be higher again if it were on the basis of a refundable tax credit.

Deputy Michael McGrath asked about the extent to which the constitutional grounds may be breached. We are satisfied that we are at the limit of the constitutionality to which we can go in terms of rent caps and other measures.

I completely disagree with Deputy Pearse Doherty’s view on the amount of money that was provided in budget 2019 for housing solutions. It is €2.6 billion. That is not tinkering around the edges. That is the most money that has been made available in any budget ever before for housing solutions.

**Deputy Pearse Doherty:** We have listened to the Minister, Deputy Donohoe, and to the previous Minister, Deputy Noonan, for a number of years. They continued to tell us that everything would be okay. We have heard all the different measures they introduced such as the

help-to-buy scheme and now giving tax breaks to landlords. The latter measure is not just supported by Fianna Fáil. It demanded that it would happen and it ensured it was written into the Finance Bill.

We have a major crisis. I have made this point time and again. The homelessness crisis lies completely at the Government's feet. Here and now in this Chamber and on Committee Stage we decide how to divvy up the resources of the State and year after year the Government has failed to invest the necessary funding for social and affordable housing. The automatic consequence of that is we have a housing crisis. As we speak here at 5 o'clock, families are walking the street. Children have been picked up from school a couple of hours ago and they have nowhere to go. They will go to their hotels tonight and in the morning they will be told to leave their rooms. A total of 4,000 children are in that situation and 10,000 people in all.

That is at the most acute end of the situation but, in addition, we have seen rents increase for 25 consecutive quarters. The Minister told us the rent caps were supposed to solve this but landlords are breaching the rent caps. The reality is that we have seen record levels of rent in this State for the past ten quarters. Each quarter set a new record in the State. We are saying the Minister must do something more imaginative. We have offered a solution in terms of rent relief, which used to exist, which was abolished by Fianna Fáil and only rolled its way out of the system last year because people were still able to avail of it up to then. We need such a solution when we have the highest level of rent in the history of the State. Rent should be refundable to all, including students. People are being charged through the nose to share a bed. That is the kind of crap that goes on. It is unbelievable what is happening to students and other renters. Now we are in a situation where because of mismanagement we need others to come into the country to build the houses that should have been built in a proper and managed way. That will put more pressure on the housing sector which, in turn, will fuel house prices further. Somehow, those in the Government think the people are going to manage, but they are not. Therefore, we need measures such as this to be introduced, but I do not expect the Minister to introduce them because he does not believe in them. He believes the market will solve it all, but it has not done so.

Amendment put:

<i>The Dáil divided: Tá, 20; Níl, 36; Staon, 21.</i>		
<i>Tá</i>	<i>Níl</i>	<i>Staon</i>
<i>Boyd Barrett, Richard.</i>	<i>Barrett, Seán.</i>	<i>Breathnach, Declan.</i>
<i>Brady, John.</i>	<i>Brophy, Colm.</i>	<i>Browne, James.</i>
<i>Broughan, Thomas P.</i>	<i>Bruton, Richard.</i>	<i>Butler, Mary.</i>
<i>Buckley, Pat.</i>	<i>Burke, Peter.</i>	<i>Casey, Pat.</i>
<i>Collins, Michael.</i>	<i>Byrne, Catherine.</i>	<i>Cassells, Shane.</i>
<i>Crowe, Seán.</i>	<i>Canney, Seán.</i>	<i>Curran, John.</i>
<i>Doherty, Pearse.</i>	<i>Cannon, Ciarán.</i>	<i>Dooley, Timmy.</i>
<i>Fitzmaurice, Michael.</i>	<i>Carey, Joe.</i>	<i>Kelleher, Billy.</i>
<i>Healy, Seamus.</i>	<i>D'Arcy, Michael.</i>	<i>Lahart, John.</i>
<i>Howlin, Brendan.</i>	<i>Daly, Jim.</i>	<i>Lawless, James.</i>
<i>Kelly, Alan.</i>	<i>Deasy, John.</i>	<i>McGrath, Michael.</i>
<i>Kenny, Martin.</i>	<i>Donohoe, Paschal.</i>	<i>McGuinness, John.</i>



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<i>McDonald, Mary Lou.</i>	<i>Doyle, Andrew.</i>	<i>Moynihan, Michael.</i>
<i>Ó Caoláin, Caoimhghín.</i>	<i>Durkan, Bernard J.</i>	<i>Murphy, Eugene.</i>
<i>Ó Laoghaire, Donnchadh.</i>	<i>Farrell, Alan.</i>	<i>O'Callaghan, Jim.</i>
<i>O'Brien, Jonathan.</i>	<i>Fitzgerald, Frances.</i>	<i>O'Keeffe, Kevin.</i>
<i>O'Reilly, Louise.</i>	<i>Flanagan, Charles.</i>	<i>O'Loughlin, Fiona.</i>
<i>Pringle, Thomas.</i>	<i>Grealish, Noel.</i>	<i>Rabbitte, Anne.</i>
<i>Ryan, Eamon.</i>	<i>Griffin, Brendan.</i>	<i>Scanlon, Eamon.</i>
<i>Tóibín, Peadar.</i>	<i>Humphreys, Heather.</i>	<i>Smith, Brendan.</i>
	<i>Kyne, Seán.</i>	<i>Smyth, Niamh.</i>
	<i>Lowry, Michael.</i>	
	<i>McEntee, Helen.</i>	
	<i>McLoughlin, Tony.</i>	
	<i>Mitchell O'Connor, Mary.</i>	
	<i>Moran, Kevin Boxer.</i>	
	<i>Murphy, Eoghan.</i>	
	<i>Noonan, Michael.</i>	
	<i>O'Connell, Kate.</i>	
	<i>O'Dowd, Fergus.</i>	
	<i>Phelan, John Paul.</i>	
	<i>Ring, Michael.</i>	
	<i>Rock, Noel.</i>	
	<i>Ross, Shane.</i>	
	<i>Stanton, David.</i>	
	<i>Zappone, Katherine.</i>	

Tellers: Tá, Deputies Pearse Doherty and Jonathan O'Brien; Níl, Deputies Seán Kyne and Tony McLoughlin.

Amendment declared lost.

**Deputy Pearse Doherty:** I move amendment No. 38:

In page 145, between lines 32 and 33, to insert the following:

**“Report on mortgage interest relief**

62. The Minister shall, within 6 months of the passing of this Act, prepare and lay before Dáil Éireann a report on maintaining the current Mortgage Interest Rate Relief until such time as mortgage interest rates are equivalent to the European average.”.

This is an issue I have discussed with the Minister previously. In last year's Finance Bill he decided to taper mortgage interest relief. The relief benefits almost 50% of persons with

a mortgage, amounting to over 400,000 households. It is being reduced from 75% to 50%, something my party and I oppose. Many of the people concerned are in negative equity and still struggling. Many of them are in mortgage arrears, but many others are just struggling to get by because of the high cost of living. Therefore, we ask the Minister to consider accepting the amendment on Report Stage. The point of it is to register our opposition to the reduction in mortgage interest relief, one of the few reliefs in place to support those with a mortgage, particularly at a time when mortgage holders in this state are paying twice the European average in the rates being demanded from them.

**Deputy Michael McGrath:** This provision relates directly to the confidence and supply agreement which I was involved in negotiating back in 2016. Without such a provision in the agreement, mortgage interest relief would have been removed totally for everyone at the end of 2017 and there would have been a cliff-edge effect. All of the benefit people had been enjoying would have been lost. On average, it was worth approximately €600 per annum. In the 2016 general election Fianna Fáil was the only party of which I am aware that campaigned on the basis that mortgage interest relief would be retained and provided for in the budgetary and fiscal projections made at the time. I would have loved to have seen it retained at a rate of 100%, but the best we could negotiate two and a half years ago was that it would be retained at a reduced rate and tapered over a three year period. That was better than allowing it to disappear overnight, which was the legal position as programmed in the Finance Acts up to that point. The tapering represented an improvement. We would have loved to have kept the relief at the rate of 100%, but that was not possible.

**Deputy Paschal Donohoe:** We dealt with this issue on Committee Stage. I will reiterate the two points I made at the time.

In principle Deputy Pearse Doherty is against any measure that might add to the price of homes or that might drive the demand for them. However, when I seek to make a policy decision to alleviate the pressure on pricing, acknowledging the fact that the ESRI carried out a report in which it argued that demand side tax incentives such as this could add to the pressure on pricing in the market, the Deputy is also against it. We are removing mortgage interest relief because increasingly it is being baked into the pricing of homes. The Deputy acknowledges that Governments can do things that drive up the price of homes, but when we seek to remove a measure such as this, he also opposes it. For clear reasons, we will not extend the relief. This is a measure that currently is only available to a certain number of people within the State based on when they bought their homes. We made an agreement with Fianna Fáil that we would abolish it, but that it would be abolished at a slower rate in order to be fair to the people who benefited from it and acknowledge the affect it had on persons who did not have it. Some contend there are measures the Government could take to force up prices. If it was to remain in the tax code, this measure would have the potential to do so. That is why we have sought to unwind it over time in a way that is fair to all.

**Deputy Pearse Doherty:** There is absolutely no basis on which the Minister can say this measure pushes up house prices. It is in place for persons who are being absolutely ripped off by banks, in which the Minister is the majority shareholder. They are charging twice the interest rates being charged by our European competitors and the Minister sits there and does absolutely nothing about it. That is nonsense. The very same Minister brought forward and supported the help-to-buy scheme and in this Finance Bill is seeking to bring forward tax reliefs for landlords which will do exactly what we have argued against and push up house prices. How did the Minister deliver that with a straight face? It blows my mind that he can stand there

and say this support is not needed, or that it would actually increase house prices or cause difficulties when from 1 January the cost of a mortgage for more than 400,000 people is going to increase. It is nonsense.

To Deputy Michael McGrath I say this is the time when you call a spade a spade. If he is opposed to this measure, he should not have supported it in the Finance Act 2017 and should not have abstained. The position-----

**Deputy Michael McGrath:** Sinn Féin did not campaign against it.

**Deputy Pearse Doherty:** Of course, we have campaigned against it.

**Deputy Michael McGrath:** Sinn Féin did not.

**Deputy Pearse Doherty:** We have tabled motions and called Fianna Fáil out time and again.

**Deputy Michael McGrath:** The Deputy should look back at the manifesto.

**Deputy Pearse Doherty:** We have called the Deputy's colleagues in Fianna Fáil out.

**Deputy Michael McGrath:** The Deputy should look back at his party's general election manifesto.

**Deputy Pearse Doherty:** The Deputy can hide under the skirt of the confidence and supply agreement, but what he is doing is pushing up the price of a mortgage for 400,000 householders.

**Deputy Michael McGrath:** Sinn Féin did not even raise this issue in the general election.

**Deputy Pearse Doherty:** The truth hurts.

**Deputy Michael McGrath:** Sinn Féin did not raise it in its manifesto.

**Deputy Pearse Doherty:** The Deputy should stand up, be a man and get out from under the skirt of the confidence and supply agreement.

**Deputy Michael McGrath:** The Deputy should read his party's manifesto.

**Deputy Pearse Doherty:** The Deputy should stand with those who are being penalised by rip-off mortgages by supporting the amendment.

**Deputy Michael McGrath:** The Deputy should read his party's manifesto.

**Deputy Pearse Doherty:** I am pressing the amendment.

**Deputy Michael McGrath:** The Deputy should read his party's manifesto to see how much Sinn Féin stated about it. Zilch.

**Deputy Pearse Doherty:** The Deputy should put his money where his mouth is.

**Deputy Michael McGrath:** There was not one word about it.

**Deputy Pearse Doherty:** Fianna Fáil negotiated an increase in the price of a mortgage for hundreds of thousands of families. That is a fact. Hundreds of thousands of families will be penalised because of it.

**Deputy Michael McGrath:** Sinn Féin did not state one word about it. The Deputy should read his party's manifesto.

Amendment put:

<i>The Dáil divided: Tá, 19; Níl, 34; Staon, 20.</i>		
<i>Tá</i>	<i>Níl</i>	<i>Stاون</i>
<i>Boyd Barrett, Richard.</i>	<i>Barrett, Seán.</i>	<i>Aylward, Bobby.</i>
<i>Brady, John.</i>	<i>Brophy, Colm.</i>	<i>Breathnach, Declan.</i>
<i>Broughan, Thomas P.</i>	<i>Bruton, Richard.</i>	<i>Butler, Mary.</i>
<i>Buckley, Pat.</i>	<i>Burke, Peter.</i>	<i>Casey, Pat.</i>
<i>Collins, Michael.</i>	<i>Byrne, Catherine.</i>	<i>Cassells, Shane.</i>
<i>Crowe, Seán.</i>	<i>Canney, Seán.</i>	<i>Curran, John.</i>
<i>Cullinane, David.</i>	<i>Cannon, Ciarán.</i>	<i>Dooley, Timmy.</i>
<i>Doherty, Pearse.</i>	<i>Carey, Joe.</i>	<i>Kelleher, Billy.</i>
<i>Fitzmaurice, Michael.</i>	<i>D'Arcy, Michael.</i>	<i>Lahart, John.</i>
<i>Healy, Seamus.</i>	<i>Daly, Jim.</i>	<i>Lawless, James.</i>
<i>Kenny, Martin.</i>	<i>Deasy, John.</i>	<i>McGrath, Michael.</i>
<i>McDonald, Mary Lou.</i>	<i>Donohoe, Paschal.</i>	<i>Moynihan, Michael.</i>
<i>O'Brien, Jonathan.</i>	<i>Doyle, Andrew.</i>	<i>Murphy, Eugene.</i>
<i>O'Reilly, Louise.</i>	<i>Durkan, Bernard J.</i>	<i>O'Brien, Darragh.</i>
<i>Ó Caoláin, Caoimhghín.</i>	<i>Farrell, Alan.</i>	<i>O'Callaghan, Jim.</i>
<i>Ó Laoghaire, Donnchadh.</i>	<i>Fitzgerald, Frances.</i>	<i>O'Keefe, Kevin.</i>
<i>Pringle, Thomas.</i>	<i>Flanagan, Charles.</i>	<i>Rabbitte, Anne.</i>
<i>Ryan, Eamon.</i>	<i>Grealish, Noel.</i>	<i>Scanlon, Eamon.</i>
<i>Tóibín, Peadar.</i>	<i>Griffin, Brendan.</i>	<i>Smith, Brendan.</i>
	<i>Kyne, Seán.</i>	<i>Smyth, Niamh.</i>
	<i>Lowry, Michael.</i>	
	<i>McEntee, Helen.</i>	
	<i>McLoughlin, Tony.</i>	
	<i>Mitchell O'Connor, Mary.</i>	
	<i>Murphy, Eoghan.</i>	
	<i>Noonan, Michael.</i>	
	<i>O'Connell, Kate.</i>	
	<i>O'Dowd, Fergus.</i>	
	<i>Phelan, John Paul.</i>	
	<i>Ring, Michael.</i>	
	<i>Rock, Noel.</i>	
	<i>Ross, Shane.</i>	
	<i>Stanton, David.</i>	
	<i>Zappone, Katherine.</i>	

Tellers: Tá, Deputies Pearse Doherty and Jonathan O'Brien; Níl, Deputies Seán Kyne and

Tony McLoughlin.

Amendment declared lost.

**Deputy Jonathan O'Brien:** I move amendment No. 39:

In page 145, between lines 32 and 33, to insert the following:

**“Report on trade union tax relief**

**62.** The Minister shall, within 6 months of the passing of this Act, prepare and lay before Dáil Éireann a report on the re-introduction of Trade Union Tax Relief.”.

The amendment call for a report on the reintroduction of trade union tax relief to be prepared and laid before the House within six months of the passing of the Finance Bill. As the Minister will be aware, this relief was abolished in 2011 by the then Fianna Fáil-led Government. The new trade union, Fórsa, which is an amalgamation of a number of trade unions, has made presentations to a number of Oireachtas committees on the reintroduction of this tax relief. It has stated that its abolition discriminated against its members given that members of professional bodies get tax relief on membership fees. It has also stated that it acts as a barrier to some workers joining a trade union. I note from the Minister’s comments in committee and in reply to parliamentary questions that he disagrees with that view. He argues that its reintroduction would make no beneficial difference to people. I beg to differ. We could settle the matter if the Minister agreed to this amendment providing for the publication of a report on the benefits of reintroducing the tax relief on trade union membership fees.

**Deputy Richard Boyd Barrett:** I support the amendment. The key point is I do not see how the Minister can possibly justify that such relief exists for those paying subscriptions to professional bodies and not allow the same for trade union members. It is a clear case of discrimination. Workers need the protection of trade unions every bit as much as professional bodies may feel the need to exist and that people may wish to be members of them to protect their interests or to carry on their particular trade. The discrimination and inequity of this must be addressed. The trade union relief should be brought back in. I am interested in hearing the Minister’s response because the position is not fair.

**Deputy Michael McGrath:** An issue that often arises when debating this issue is tax relief for professional subscriptions. However, the divide seems to be between the self-employed and PAYE taxpayers. If a PAYE worker pays a professional subscription, unless it is a requirement of the job that he or she be a member of the professional body in question, the employee will not get tax relief on the subscription. Unless it is wholly, exclusively and necessarily required in the performance of a person’s duties, a PAYE worker paying his or her own subscription does not get any tax relief. The issue being raised by way of contrast in respect of trade union subscriptions is that in the case of the self-employed such a subscription is, in effect, tax deductible. There is an issue of consistency here. Employees who pay their own subscription cannot avail of a tax relief on it, unless it is a requirement of their job. Generally, where it is a requirement of the job, the subscription will be paid by the employer and a benefit-in-kind issue may arise.

**Deputy Paschal Donohoe:** We have debated this matter on a number of occasions. My

point remains that there is a difference between the tax relief that is available to professional bodies and tax reliefs that are available to a trade union. For this reason, I am not in a position to support the amendment.

**Deputy Jonathan O'Brien:** This is a relief that was available to members of the trade union movement and subsequently abolished. We are not asking the Minister to reintroduce it today but to publish a report on the benefits that could accrue if it were reintroduced. We seek only a report, which would not cost the Minister anything. Nobody should be afraid of what would be in that report. It may uphold the Minister's view, which he has put forward in committee, or it may uphold the unions' position. We will not know unless the Minister agrees to the amendment to produce a report.

Amendment put:

<i>The Dáil divided: Tá, 18; Níl, 35; Staon, 21.</i>		
<i>Tá</i>	<i>Níl</i>	<i>Stاون</i>
<i>Boyd Barrett, Richard.</i>	<i>Barrett, Seán.</i>	<i>Aylward, Bobby.</i>
<i>Brady, John.</i>	<i>Brophy, Colm.</i>	<i>Breathnach, Declan.</i>
<i>Broughan, Thomas P.</i>	<i>Bruton, Richard.</i>	<i>Butler, Mary.</i>
<i>Buckley, Pat.</i>	<i>Burke, Peter.</i>	<i>Casey, Pat.</i>
<i>Collins, Michael.</i>	<i>Byrne, Catherine.</i>	<i>Cassells, Shane.</i>
<i>Crowe, Seán.</i>	<i>Canney, Seán.</i>	<i>Curran, John.</i>
<i>Cullinane, David.</i>	<i>Cannon, Ciarán.</i>	<i>Dooley, Timmy.</i>
<i>Fitzmaurice, Michael.</i>	<i>Carey, Joe.</i>	<i>Kelleher, Billy.</i>
<i>Healy, Seamus.</i>	<i>D'Arcy, Michael.</i>	<i>Lahart, John.</i>
<i>Kenny, Martin.</i>	<i>Deasy, John.</i>	<i>McGrath, Michael.</i>
<i>McDonald, Mary Lou.</i>	<i>Donohoe, Paschal.</i>	<i>McGuinness, John.</i>
<i>O'Brien, Jonathan.</i>	<i>Durkan, Bernard J.</i>	<i>Moynihan, Michael.</i>
<i>O'Reilly, Louise.</i>	<i>Farrell, Alan.</i>	<i>Murphy, Eugene.</i>
<i>Ó Caoláin, Caoimhghín.</i>	<i>Fitzgerald, Frances.</i>	<i>O'Brien, Darragh.</i>
<i>Ó Laoghaire, Donnchadh.</i>	<i>Flanagan, Charles.</i>	<i>O'Callaghan, Jim.</i>
<i>Pringle, Thomas.</i>	<i>Grealish, Noel.</i>	<i>O'Keeffe, Kevin.</i>
<i>Ryan, Eamon.</i>	<i>Griffin, Brendan.</i>	<i>O'Loughlin, Fiona.</i>
<i>Tóibín, Peadar.</i>	<i>Harris, Simon.</i>	<i>Rabbitte, Anne.</i>
	<i>Heydon, Martin.</i>	<i>Scanlon, Eamon.</i>
	<i>Humphreys, Heather.</i>	<i>Smith, Brendan.</i>
	<i>Kyne, Seán.</i>	<i>Smyth, Niamh.</i>
	<i>Lowry, Michael.</i>	
	<i>McEntee, Helen.</i>	
	<i>McLoughlin, Tony.</i>	
	<i>Mitchell O'Connor, Mary.</i>	
	<i>Murphy, Eoghan.</i>	
	<i>Noonan, Michael.</i>	
	<i>O'Connell, Kate.</i>	
	<i>O'Dowd, Fergus.</i>	

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	<i>Phelan, John Paul.</i>	
	<i>Ring, Michael.</i>	
	<i>Rock, Noel.</i>	
	<i>Ross, Shane.</i>	
	<i>Stanton, David.</i>	
	<i>Zappone, Katherine.</i>	

Tellers: Tá, Deputies Jonathan O'Brien and Louise O'Reilly; Níl, Deputies Seán Kyne and Tony McLoughlin.

Amendment declared lost.

*6 o'clock*

**Deputy Michael McGrath:** I move amendment No. 40:

In page 145, between lines 32 and 33, to insert the following:

**“Withholding Tax on peer to peer lending**

**62.** The Minister shall within three months of the passing of this Act, prepare and lay before the Oireachtas a report on the requirement for companies availing of peer to peer loan finance to withhold tax at 20 per cent of interest paid as required under section 246(2) of the Taxes Consolidation Act 1997 and on the appropriateness of section 246(2) of the Taxes Consolidation Act 1997 to the peer-to-peer lending and other crowd funding mechanisms.”.

This amendment relates to the peer-to-peer lending sector. While we did discuss the issue on Committee Stage, I want to tease it out further. There is general acceptance that we need to reduce the level of dependence on lending from the banking sector and so the more non-bank sources of finance there are available to small and medium enterprises, in particular, the better. Peer-to-peer lending is an evolving sector, but it is growing. Earlier this year, the Revenue Commissioners paid attention to it and I understand that in May last they issued an e-brief requiring borrowers to deduct a 20% withholding tax from their repayments. This measure is to ensure tax compliance. I would like to know from the Minister if this measure arises out a concern on the part of the Revenue Commissioners in regard to non-compliance. Obviously, everybody involved in this sector, and every other sector, should be tax compliant. The Minister is moving with the Central Bank towards regulation of crowd funding generally but, in particular, peer-to-peer lending. My concern is that given the nature of how peer-to-peer lending works the imposition of a withholding tax will render it unworkable because each person contributing to the lending will be required to complete the R185 form and each loan in this sector can have over 200 different lenders involved in a transaction. If this requirement is to remain, it will stop in its tracks the further development of peer-to-peer lending.

**Deputy Paschal Donohoe:** On the e-brief issued by the Revenue Commissioners, it was not in regard to a new policy. Rather, Revenue were confirming existing policy in the area. I imagine they did so in recognition of the growth of the sector. On the requirement for a withholding tax, the Deputy will be aware that the purpose of the withholding tax is to facilitate tax compliance, which as we both know has to occur across all parts of our economy. As I said on Committee Stage, I am willing to examine what would be an appropriate tax regime for this sector but only after we have concluded our work with the sector in regard to how we can better regulate it. Currently, this sector is not regulated. The European Parliament is commencing work in this area, which when completed we can use to get a better idea of what our domestic regulatory regime might look like.

In terms of sequence, we will make progress on the direction of regulation first and, as we are doing that work, we will engage with the sector on what might be a more appropriate taxation regime for it.

**Deputy Michael McGrath:** The issue is that given the nature of how peer-to-peer lending works the administration of withholding tax makes it virtually impossible for the sector to function. I ask the Minister to afford a degree of urgency to the work that his officials and the Central Bank are doing on this issue. I agree that we need a proper system of regulation. The Minister wants that issue to be dealt with before putting in place an appropriate system of taxation. I ask him to continue to engage with the sector. This is an important area. We need to diversify further the sources of funding that are available to SMEs throughout the country. The more competition we have in the area of credit the better value SMEs, as consumers, get and end consumers will get a better deal as well. I ask the Minister to step up the engagement and deal with this issue. In the short term, my concern is that the application of this regime will impede the further development and growth of the sector.

Amendment, by leave, withdrawn.

**Deputy Michael McGrath:** I move amendment No. 41:

In page 145, between lines 32 and 33, to insert the following:

**“The linking of DIRT rate and exit tax rate on life assurance policies**

**62.** The Minister shall, by the end of 2018, prepare and lay before the Oireachtas a report on the breaking of the link between the rate of DIRT and the rate of exit tax from life assurance policies, including the impact of this on life assurance savers.”.

The purpose of my tabling this amendment on Report Stage is to try to firm up the answer to the question as to when the Minister expects to deliver the report to which he has committed. To recap very briefly on this issue, it relates to the exit tax on certain life assurance products, in particular long-term investment products. Until recent years the exit tax rate was aligned with the rate of DIRT. The Minister’s predecessor announced a four-year cycle of 2% reductions in DIRT. When the most recent reduction comes into effect in January, DIRT will therefore be down to 35% but the exit tax will remain at 41%. In 2020, DIRT will be down to 33%, so the gap will get bigger because exit tax will remain at 41%.

There is a policy issue here which we have discussed a number of times in that the differential in the tax treatment of the return from both these products will essentially encourage consumers to put their money into bank-type savings products, on which the return at present is



as close to zero as makes no difference. We therefore need to examine the policy implications of this because we want to encourage longer-term saving, longer-term commitment to investment products and so on. The Minister has committed to a report to try to tease out the policy implications. Obviously, there are fiscal implications of doing anything, and I think this is why he has not done anything by way of trying to realign the rates. I believe, however, that we need to give some attention to this in a policy context and then in future budgets to revisit the decisions that have been made.

**Deputy Michael D’Arcy:** The report will be made available before the end of this year. It is in draft form at present. The Minister, Deputy Donohoe, just has to read it and then it will be published.

**Deputy Michael McGrath:** This year as in 2018?

**Deputy Michael D’Arcy:** Yes.

Amendment, by leave, withdrawn.

**Deputy Michael McGrath:** I move amendment No. 42:

In page 145, between lines 32 and 33, to insert the following:

**“Increasing public awareness of certain income tax reliefs**

**62.** The Minister shall, within three months of the passing of this Act, prepare and lay before the Oireachtas a report setting out steps the Revenue intend to take to increase public awareness of certain tax reliefs that may be claimed including tax relief on third level fees, the home carer tax credit and the income exemption limit for persons aged 65 and over, and to increase public awareness of the four year time limit for claiming reliefs retrospectively.”.

This amendment essentially seeks confirmation of the steps that Revenue in particular intends to take and that the Minister’s Department can take to raise public awareness of certain tax reliefs available to citizens. My tabling of this amendment is very much borne out of my personal experience as a Deputy dealing with queries from constituents. When I raise and promote certain tax reliefs in newsletters and circulars that I send out, I get feedback, and it has become very apparent to me that there is a lot of underclaiming going on in that many people are simply not aware of some of the available credits.

For example, one of three I have cited in the amendment is the tax relief on third level fees. It is widely misunderstood. People think that if they are only paying the €3,000, there is no tax relief. This is true if they are only paying it in respect of one child. If they are paying the €3,000 in respect of more than one child going to college, they can claim tax relief because a single disregard of €3,000 applies. This is not widely known. I have personally helped a number of people to work their way through this and they have benefited by way of a claim.

The home carer tax credit, which we discussed in the lead-up to the budget, is a similar issue. We welcome the increase to €1,500 to this credit. Again, it is my experience that there is underclaiming of this simply because people are not aware of it. We went through the numbers on Committee Stage as to why this may be.

The third example I have given in the amendment is the taxation options open to older peo-

ple on the income tax side. They can be taxed in three ways. First, they can be taxed under the conventional system that applies to everyone else, with the application of bands and tax credits. The second way is the income tax exemption limit - €18,000 for a single person and €36,000 for a couple - that applies to people aged 65 and under. The third way is the marginal rate relief if their income is modestly above these thresholds. Again, my experience is that people are not aware of this and it is very hard for people to try to assess for themselves which option is best for them.

The system should pick up these things automatically, and I think in many cases it does, but not in all. It is my experience that these three reliefs in particular - there are other examples - are not being claimed or not being claimed properly because people are simply not aware of them or of the full eligibility criteria. We all need to make a greater effort. We have a role as Deputies, but Government and Revenue in particular need to play the lead role in increasing public awareness of the availability of these reliefs and how they can be claimed.

**Deputy Paschal Donohoe:** I understand that Revenue contacts PAYE taxpayers to remind them that there is a four-year time limit for claiming additional tax credits and reliefs. In late 2017, Revenue issued 135,188 letters to all PAYE taxpayers who had not claimed additional credits or reliefs from 2013 to 2017, reminding them that they may be entitled to make claims on or before 31 December 2017. An additional 291 claims were made for the home carer tax credit, 570 for the age tax credit and 746 for tuition fees. On 1 November of this year 125,000 letters concerning this matter were issued. The Revenue Commissioners pre-populate the annual tax returns of self-assessed taxpayers with the home carer tax credit where it was claimed in the previous year. Revenue automatically grants the home carer tax credit and the age tax credit where it can identify eligible people whose circumstances would indicate that they would benefit from the credit or, more particularly, are eligible for it. The Revenue Commissioners put in a lot of effort to ensure that taxpayers are aware of the reliefs and support they would be able to access. I will encourage the Revenue Commissioners to continue this work, and for this reason I ask the Deputy to withdraw the amendment.

**Deputy Michael McGrath:** I will be very brief. I accept that where information is available to Revenue that leads it to conclude that a taxpayer is entitled to a credit or relief and not claiming it, it is provided automatically. Sometimes, however, the relevant information is not available to Revenue. It could be that there has been a change in circumstances, as is very often the case with the home carer credit, for example. Circumstances in a home may change. Similarly, regarding third level fees, a person may go from having one child going to college to two and people may not be aware of the change in that regard. I do not think the Revenue systems would or could be expected to pick up on this automatically. All these debates help to promote awareness of the availability of these tax reliefs and encourage the Revenue Commissioners and the Minister's Department to use every opportunity to highlight the availability of reliefs which may well be underclaimed - in my view, they are - and to promote them. It is important that people are given the right and accurate information relating to themselves.

The Minister has touched on the four-year rule. I accept that Revenue is writing to certain taxpayers to remind them that the ability to claim for reliefs dating back more than four years will fall off if they do not submit returns by the end of the year. This needs to continue because, again, people's awareness of this is quite limited. I will not press the amendment; I will withdraw it.

Amendment, by leave, withdrawn.

**Acting Chairman (Deputy Bernard J. Durkan):** Amendment No. 43 is not in order as it is not relevant to the provisions of the Bill.

Amendment No. 43 not moved.

**Acting Chairman (Deputy Bernard J. Durkan):** Amendment No. 44 is in the names of Deputies Paul Murphy, Barry and Coppinger. As none of the Deputies is present, the amendment cannot be moved.

Amendment No. 44 not moved.

**Acting Chairman (Deputy Bernard J. Durkan):** Amendment No. 45 is in the names of Deputies Paul Murphy, Barry and Coppinger. The same rule applies.

Amendment No. 45 not moved.

**Acting Chairman (Deputy Bernard J. Durkan):** Amendment No. 46 is out order as it is not relevant to the provisions of the Bill.

Amendment No. 46 not moved.

**Acting Chairman (Deputy Bernard J. Durkan):** As none of Deputies Barry, Paul Murphy or Coppinger is in the House, amendment No. 47 cannot be moved.

Amendment No. 47 not moved.

**Acting Chairman (Deputy Bernard J. Durkan):** As Deputy Wallace is not in the House, amendment No. 48 cannot be moved.

Amendment No. 48 not moved.

**Acting Chairman (Deputy Bernard J. Durkan):** Amendment No. 49 is out of order.

Amendment No. 49 not moved.

**Acting Chairman (Deputy Bernard J. Durkan):** Amendment No. 50 is out of order.

Amendment No. 50 not moved.

**Acting Chairman (Deputy Bernard J. Durkan):** As Deputy Wallace is not in the House, amendment No. 51 cannot be moved.

Amendment No. 51 not moved.

**Acting Chairman (Deputy Bernard J. Durkan):** That concludes the amendments. Before moving to Fifth Stage, the Minister wishes to ask for a formal Clerk's correction to the Bill.

**Deputy Paschal Donohoe:** In accordance with Standing Order 163, I ask the House to agree that the Ceann Comhairle instruct the clerk of the Dáil to make a formal correction in the Bill. On page 52, line 42, the phrase “of any company other than—” and the following clauses (I) and (II) on top of page 53 should be aligned to paragraph level as the text is a continuation of paragraph (b) and not subparagraph (iii) as currently displayed.

**Acting Chairman (Deputy Bernard J. Durkan):** Is that agreed? Agreed.

Debate adjourned.

### Teachtaireacht ón Seanad - Message from Seanad

**Acting Chairman (Deputy Bernard J. Durkan):** Seanad Éireann has passed the Home Building Ireland Finance Bill 2018, without amendment.

### Message from Select Committee

**Acting Chairman (Deputy Bernard J. Durkan):** The Select Committee on Employment Affairs and Social Protection has completed its consideration of the Social Welfare, Pensions and Civil Registration Bill 2018 and has made amendments thereto.

### Finance Bill 2018: Report Stage (Resumed) and Final Stage

Bill, as amended, received for final consideration.

Question proposed: "That the Bill do now pass."

Question put:

<i>The Dáil divided: Tá, 34; Níl, 19; Staon, 22.</i>		
<i>Tá</i>	<i>Níl</i>	<i>Staon</i>
<i>Barrett, Seán.</i>	<i>Boyd Barrett, Richard.</i>	<i>Aylward, Bobby.</i>
<i>Brophy, Colm.</i>	<i>Brady, John.</i>	<i>Breathnach, Declan.</i>
<i>Bruton, Richard.</i>	<i>Broughan, Thomas P.</i>	<i>Butler, Mary.</i>
<i>Burke, Peter.</i>	<i>Buckley, Pat.</i>	<i>Casey, Pat.</i>
<i>Byrne, Catherine.</i>	<i>Collins, Michael.</i>	<i>Cassells, Shane.</i>
<i>Canney, Seán.</i>	<i>Crowe, Seán.</i>	<i>Curran, John.</i>
<i>Cannon, Ciarán.</i>	<i>Cullinane, David.</i>	<i>Dooley, Timmy.</i>
<i>Carey, Joe.</i>	<i>Fitzmaurice, Michael.</i>	<i>Kelleher, Billy.</i>
<i>D'Arcy, Michael.</i>	<i>Healy, Seamus.</i>	<i>Lahart, John.</i>
<i>Deasy, John.</i>	<i>Kenny, Martin.</i>	<i>Lawless, James.</i>
<i>Donohoe, Paschal.</i>	<i>McDonald, Mary Lou.</i>	<i>McGrath, Michael.</i>
<i>Durkan, Bernard J.</i>	<i>O'Brien, Jonathan.</i>	<i>McGuinness, John.</i>
<i>English, Damien.</i>	<i>O'Reilly, Louise.</i>	<i>Moynihan, Michael.</i>
<i>Farrell, Alan.</i>	<i>Ó Broin, Eoin.</i>	<i>Murphy, Eugene.</i>
<i>Fitzgerald, Frances.</i>	<i>Ó Caoláin, Caoimhghín.</i>	<i>O'Brien, Darragh.</i>
<i>Flanagan, Charles.</i>	<i>Ó Laoghaire, Donnchadh.</i>	<i>O'Callaghan, Jim.</i>

22 November 2018

<i>Grealish, Noel.</i>	<i>Pringle, Thomas.</i>	<i>O’Keeffe, Kevin.</i>
<i>Griffin, Brendan.</i>	<i>Ryan, Eamon.</i>	<i>O’Loughlin, Fiona.</i>
<i>Heydon, Martin.</i>	<i>Tóibín, Peadar.</i>	<i>Rabbitte, Anne.</i>
<i>Humphreys, Heather.</i>		<i>Scanlon, Eamon.</i>
<i>Kyne, Seán.</i>		<i>Smith, Brendan.</i>
<i>Lowry, Michael.</i>		<i>Smyth, Niamh.</i>
<i>McEntee, Helen.</i>		
<i>McLoughlin, Tony.</i>		
<i>Mitchell O’Connor, Mary.</i>		
<i>Murphy, Eoghan.</i>		
<i>Noonan, Michael.</i>		
<i>O’Connell, Kate.</i>		
<i>O’Dowd, Fergus.</i>		
<i>Phelan, John Paul.</i>		
<i>Ring, Michael.</i>		
<i>Rock, Noel.</i>		
<i>Ross, Shane.</i>		
<i>Stanton, David.</i>		

Tellers: Tá, Deputies Seán Kyne and Tony McLoughlin; Níl, Deputies Richard Boyd Barrett and Jonathan O’Brien.

Question declared carried.

**An Leas-Cheann Comhairle:** The Bill, which is certified to be a money Bill in accordance with Article 22.2.1° of the Constitution, will be sent to the Seanad.

### **Consumer Protection (Regulation of Credit Servicing Firms) Bill 2018: Order for Report Stage [Private Members]**

**Minister for Finance (Deputy Paschal Donohoe):** I move: “That Report Stage be taken now.”

I welcome the opportunity to speak to this Private Members’ Bill. I gave a commitment to Deputy Michael McGrath that my Department and I would work with him on his proposed draft Bill to find a way in which the policy objectives of the Bill could be delivered. On Committee Stage, a significant amount of discussion took place on the Bill and since that time my officials and Deputy McGrath have worked to deal with some matters that have emerged. In addition, full agreement was not reached on whether the credit servicing regime or the retail credit servic-

ing regime was the most appropriate. Between my Department and the Central Bank, we have been able to resolve some matters in this regard that emerged when the legislation was examined in detail. The Central Bank has made it clear that it is satisfied with the approach taken to regulating owners as credit servicing firms. It has clearly stated that there is no material difference in the standard of regulation between retail credit firms and credit servicing firms. The bank has also clearly stated that neither category of firm is subject to a lower standard of regulatory scrutiny than the other. Therefore, I can state that I support all of the amendments that have been proposed by Deputy Michael McGrath.

The passage of this Bill also has to be seen in the light of the recent review of the code of conduct on mortgage arrears, which went through all of the various supports that were available to citizens who found themselves in difficulty, pointed to the fact that more than 100,000 mortgages had been restructured, and pointed out that many different options were available, with the Insolvency Service of Ireland doing a great deal of work in this area in particular. My message continues to be that those who find themselves in difficulty have to engage. Help is available. As I have affirmed to Deputy Michael McGrath, it is my intention that the Bill will be commenced as soon as possible after its enactment in the Dáil.

Question put and agreed to.

### **Consumer Protection (Regulation of Credit Servicing Firms) Bill 2018: Report and Final Stages [Private Members]**

**Acting Chairman (Deputy Bernard J. Durkan):** Amendments Nos. 1 and 2 are related and may be discussed together.

**Deputy Michael McGrath:** I move amendment No. 1:

In page 4, line 8, to delete “determining” and substitute “determination of”.

I will start with some general remarks on the amendments that I hope will accelerate the process. I welcome the opportunity to contribute on Report Stage of this Fianna Fáil Private Members’ Bill. The Bill’s purpose is to ensure that loan owners who hold legal title to credit, determine the overall strategy for the management and administration of a portfolio of loan agreements or maintain control over key decisions relating to such a portfolio are authorised by the Central Bank and subject to its regulation.

A small number of amendments are to be dealt with, and I will outline them in advance of their individual consideration. Two are concerned with wording changes that have been suggested by the drafter to make the Bill read better. I am happy to propose these. Three are concerned with wording changes to reflect the securitisation regulation. The Central Bank has been consulted to ensure that they do not give rise to any unintended consequence. As far as we can see, the amendments will work to allow completely passive securitisation vehicles to continue operating without authorisation, since all activities will be undertaken by regulated credit servicing firms. It was always the intention to exclude passive securitisation. These amendments will not allow firms that undertake any of the newly regulated activities to structure themselves in such a way as to avoid regulation. If they are undertaking any of the newly regulated activi-

ties, they will need authorisation. Generally speaking, the activities will continue to be undertaken by the original lender.

The other amendments are aimed at addressing a concern of the Central Bank that was notified to the Select Committee on Finance, Public Expenditure and Reform, and Taoiseach. The issue is that an owner transitionally authorised by making an application to the Central Bank within three months of the commencement of the legislation would be answerable to the Central Bank for the activities of its credit servicing firm. The credit servicing firm in this case would no longer need to be regulated in its own right. Without the amendments proposed, this may be prior to the transitionally authorised owner having a full presence in Ireland that can be pursued by the Central Bank for any breach. The amendments will mean that the transitional authorisation only applies to the newly regulated activities and only for as long as the other activities are undertaken by a regulated credit servicing firm.

Amendments Nos. 1 and 2 are drafting amendments aimed at ensuring consistency in the structure of the list of activities of credit servicing firms.

Before allowing other Members to speak on these amendments, it is important that I put the Bill in context. From our party's point of view, there has been an obvious gap in legislation for a number of years in that we have witnessed banks increasingly selling on loan portfolios to so-called vulture funds that have been unregulated in the Irish market up until now. The credit servicing firm, which is the intermediary or middle man, is fully regulated by the Central Bank. However, it is essentially acting as a conduit, passing messages backwards and forwards, with all of the important decisions concerning the future of the mortgage, changing the interest rate, entering into a restructuring arrangement and taking enforcement proceedings made by the unregulated loan owner or vulture fund. The same applies in respect of a growing number of SME or business loans, and farmers throughout the country are finding that their loans, taken out in good faith from retail banks, are being sold on to these vulture funds.

It is important that the Central Bank, as the regulator, has the statutory power to have direct contact with these vulture funds, inspect them, turn up at their offices, investigate them if necessary and take enforcement action against them if so required. It has been evident to us for some time that these funds are making all of the important decisions. They are sitting at the top of the pyramid, as such. People find it incredibly difficult to deal with them because people are only allowed to deal with the intermediary, that being, the credit servicing agent. They are not allowed to look the person in the vulture fund in the eye. They are not allowed to sit down face to face and have direct engagement to see if there is a way of restructuring the loan, thereby preventing it from going down the adversarial legal enforcement route. Bringing these funds fully within the ambit of the regulatory environment will facilitate direct contact between them and borrowers, which is critical.

I look forward to discussing the amendments and, I hope, dealing with them in an efficient way. We look forward to agreement from across the House on the amendments and the provisions of the Bill.

**Deputy Michael Fitzmaurice:** I welcome the Bill and commend Deputy Michael McGrath. Vulture funds are a nightmare for many people. Those of us who have been representing people in mortgage difficulties have been going to middle men, with the issue then having to go on to the people who bought out the loans. In the past week, a report that the Government had mentioned claimed that the loans' owners had ticked all the boxes. They had. Asset Services,

formerly with Capita, would ring or send the mortgage holder a letter and that person would then go back and forth and make proposals. At the end of the day, though, and while all of the boxes were ticked, the people who bought out the loans still called the shots.

Deputy Michael McGrath might clarify something that he mentioned. He stated that people would have direct contact with the person who owned the loan. Does that mean that the likes of Promontory will have to meet face to face the person who owes the debt? There is only one problem with that. There is a medicine, I will call it, whereby people earning under a certain threshold are eligible for the mortgage-to-rent scheme, but people in middle Ireland who are struggling do not qualify for it even though they tick all of the other boxes. Where farmers and SMEs are concerned, their loans' owners are inclined to try to drive in the boot. Someone who earns over €25,000 and owns a house, even if it is a family home, does not qualify for the mortgage-to-rent scheme.

The Minister needs to be aware of some worrying issues that are coming down the line. Even where people are eligible for the mortgage-to-rent scheme, councils in some parts of the country have sent letters to the Housing Agency claiming that their houses are too rural. That is an indictment of those councils. Some cases have been sorted now. I ask that the Department would send an instruction to local authorities to the effect that if people are eligible for the mortgage-to-rent scheme, they are eligible regardless of whether the property is up a boren or in the middle of a town or city.

I welcome what Deputy Michael McGrath has done with this legislation and ask him to clarify the position on the issue I raised.

**Deputy John McGuinness:** I welcome the Bill and commend Deputy Michael McGrath on bringing it to this stage. We had a very worthwhile debate on Committee Stage about all of the issues pertaining to the regulation of vulture funds. The provisions of the Bill will only take effect from the date of enactment but we must recognise the fact that a considerable number of loans have already been transferred to vulture funds. The vulture funds have refused to meet the individuals and businesses concerned to reach a settlement on their loans and they continue to avoid transparency vis-à-vis the Oireachtas Committee on Finance, Public Expenditure and Reform. The funds will not come before committees of this House. They are barely replying to invitations to come before the finance committee to discuss their intentions in this country and the negative impact they are having on Irish society.

I would like to see as part of the expectation of Government with regard to these vulture funds that they would come here and explain their case and set out their plans for these loans for the coming years. To date, all of the evidence suggests that vulture funds have no interest in settlements. They refuse to talk about settlements or to engage with their customers. They pay scant regard to any protocol that is in place in terms of facilitating customers who are trying to renegotiate or settle. The banks have to be held to account because of the fact that they have encouraged customers with distressed mortgages or loans to restructure them. In most of those cases, one will find a clause in the contract saying that the restructuring will be reviewed in three or six months. Within the three or six month period, the banks then offload those loans to vulture funds, and once they do that, the funds can do what they like with loan. Once the grace period of three or six months expires, the vulture funds can introduce new interest rates, new conditions and so on and they do not seem to care. There is nothing to regulate them. If this Bill regulates the vulture funds to the extent that the banks are regulated, it will represent a very positive step forward. If we can bring the vulture funds before the committees of this



House, as we should be able to do, that will also be a step forward, as will be getting them to agree to engage with their customers, current and future.

In reality, we should stop the transfer of distressed loans to vulture funds. We should insist that the banks take each individual case and work out a solution for that business, individual or family. The European Central Bank, Mr. Mario Draghi, and the Central Bank in Ireland have all said that they are not forcing the banks here to sell loans to vulture funds. Indeed, Mr. Draghi said that this is a social policy issue. He said that we should address the consequences of distressed mortgages with some form of social policy. Organisations such as David Hall's iCare should be supported by the Government. The banks have given a sample portfolio of loans to Mr. Hall's organisation and he has proved that those who are caught in the middle, that is, those who are earning too much to qualify for local authority housing, can be put on a sustainable mortgage or a differential rent to allow them to stay in their home. That should be pursued by Government. There should be a social element to the policy of restructuring mortgages and keeping people in their homes. If the Government was to pursue that policy, it would not have to regulate the vulture funds to the extent envisaged in this Bill. The European Union would prefer that vulture funds were not regulated because they are essential in a market that finds itself in the type of distress and collapse that the Irish market experienced.

There is a fundamental contradiction here and I am happy that the Government is supporting Deputy McGrath's Bill and has a timeframe for its implementation. However, I would encourage the Government to go further with this and to introduce its own legislation if necessary. I introduced the Affordable Housing and Fair Mortgage Bill previously, elements of which could be implemented by Government. I encourage the Department to look at that Bill again to see if we can prevent the sale of distressed mortgages to vulture funds. We should provide for the sale of such loans to voluntary housing agencies or housing co-operatives that could restructure them and possibly put people on a differential rent.

The main problem with all of this is the fact that the current crop of young bankers are seeing a very sharp side to banking through these vulture funds. The funds have no desire to comply with the rules and their aim is to make money at all costs. We will have the job of re-educating bankers in the new lending culture that will be necessary in banks in the future. We have already had a report on that.

I encourage the Minister to look at this issue in the round. He should accept this legislation, pass it and then go back to the Department and work out what will be done for the future. AIB is lining up, as is Permanent TSB and no doubt Bank of Ireland and others will follow. There are many thousands of people who are in mortgage distress and we could do so much for them. I have often seen cases in court of families defending themselves, trying to keep a roof over their heads. They are up against a plethora of bankers, solicitors and barristers. We are damaging families and damaging the family unit, with children watching their parents trying to fight for their family home with no support from anyone.

**Deputy Billy Kelleher:** I commend Deputy Michael McGrath on the Bill and thank the Government for taking it on board and ensuring that it will become law without delay. The current situation is that our banking sector has been repaired to a large extent and the real issue now is dealing with the fallout from previous times in the form of distressed loans. We must bear in mind that when we talk about distressed loans we are also talking about stressed families and individuals. We are talking about people who see no hope. The idea that we would just cut them adrift and leave them to the mercy of unregulated vulture funds beggars belief. I was al-

ways very concerned when I saw the large-scale sale of loans to these funds because they were unregulated, meaning that we were unable to guarantee that they would at least comply with the code of conduct on mortgage arrears. That in itself put enormous pressure on individuals.

It is hard to explain to an individual why his or her loan can be sold for a knock-down price to a vulture fund but the same individual cannot engage with the lender directly to restructure the loan and write off a certain amount. What we have effectively done is allowed vulture funds to profiteer on both the individual and the collective. Vulture funds are just a quick fix solution. The banks have impaired balance sheets and do not want to have to retain certain ratios of capital for bad loans. They want to move such loans off their balance sheets as quickly as possible and that is what is going on. The notion that the banks will trawl through the files and assess every individual loan case by case is fanciful. The banks put large swathes of loans into a single book and then sell it off. That is a major issue which must be addressed.

When Mr. Mario Draghi appeared before the finance committee he said quite clearly that we are operating in a quasi-monopoly situation here when it comes to banking.

*7 o'clock*

In other words, if a customer has a problem with one bank, he or she cannot go to another. One cannot put one's file under one's arm and walk down The Mall in Cork, or some other financial street anywhere in Ireland, and go to another bank. Customers are enslaved to the banks they are with. It is difficult for people to access credit if there is any hint of their being in distress. They are slaves to their particular banks. This is a major issue that has to be addressed in order to try and alleviate the burden on individuals.

The Minister and the Government often say that, because there are so many distressed loans on the balance sheets of the pillar banks, mortgage rates are higher here than in the rest of the eurozone. The fact is that interest rates are twice what they are in the remainder of the eurozone and the reason for that is simply because our banks are gouging the Irish economy. That is what they are doing. Day in, day out, they are gouging out of the pockets of mortgage holders and small and medium-sized businesses. Interest rates of 3.3% or 3.4% apply to mortgages in Ireland. In the eurozone, that figure would be 1.7% or 1.72%. That is the reality. The idea that the banks are doing us a favour in how they conduct their affairs simply does not stack up when it is analysed. The President of the European Central Bank, Mario Draghi, said it in the most diplomatic way possible - we are operating a quasi-monopoly in this country when it comes to banking. We saved AIB and we threw a lifeline to Bank of Ireland through the guarantee and the injection of a massive amount of capital. This is what we get in return.

Now that the banks have been stabilised and there is no direct threat to them - and therefore no direct threat to the economy - it is time that they accepted their responsibilities to provide reasonable credit at reasonable rates in respect of mortgages and for small and medium-sized businesses. Any analysis, even by the credit review group that sits in the Department of Business, Enterprise and Innovation, will show that the banks are still pretending that they are lending. They are pretending to the Minister and the rest of us. All they are doing is restructuring loans and pretending that it is new lending. That, simply, is not helping the Irish economy at a time when it needs credit for small and medium-sized businesses to grow and continue to grow.

A lot of work needs to be done. Deputy Michael McGrath's proposals, and the Bill when enacted, will address the issue of compliance and regulation of same. The broader issue of

banking in this country must be addressed and our pillar banks owe it to the people and this Parliament to ensure that there are fair lending practices and that they are not operating a monopoly and gouging the Irish economy and borrowers.

**Minister for Finance (Deputy Paschal Donohoe):** I thank Deputies Kelleher, Fitzmaurice and McGuinness for the additional points they raised. I will deal with some of them, as well as the matters that Deputy Michael McGrath raised.

Deputy Fitzmaurice raised a particular point on mortgage to rent and the participation of certain forms of homes within it. I was not aware of the issue he raised and I will follow up to see can I help with it. I would have thought that the location of the home should not be the issue in deciding whether a home can participate in mortgage to rent, so I am surprised by what the Deputy said. I will follow up on the matter.

There was an inference, among the different points that were put to me, that nothing is happening. When Deputy Kelleher was making this point, I accessed the Insolvency Service of Ireland's annual report to get some statistics about what is happening. The latter is the organisation that has been put in place to help our citizens who are coping with bad debt which is putting them and their families under huge strain, something that we, as a society, say is not acceptable. In the context of its most recent annual report, the Insolvency Service of Ireland dealt with bad and distressed debt of €2.18 billion. That was the scale of engagement they had. Interestingly, 87% of the personal insolvency agreements reached related to mortgages and 90% of our citizens who entered into personal insolvency arrangements remained in their homes. There is a route here for citizens who are facing exceptional stress and difficulty reaching resolutions that can allow them to keep their homes. The figures I have just read out provide an indication of what has been achieved. As stated earlier, if one looks at all of the different interventions that have been put in place, over 100,000 mortgages restructured, the amount of mortgage arrears in the country has decreased. The level of difficulty that certain forms of mortgages are facing has decreased as well. To date, a significant amount has been done to deal with this issue.

As Deputy McGuinness knows, because he has heard me say this before, I do not have the ability to intervene in individual commercial decisions that banks make. I know the frustration that can cause individuals who get caught up in this form of worry because I have dealt with constituents and citizens who are worried about the future. I have experienced the same kind of anxiety that Deputy McGuinness has, when people and citizens come to his clinic with concerns about their homes. No Government and no Minister for Finance, given all that we have gone through, can get themselves into a place where they intervene in individual decisions that banks make. We have, as successive Dáileanna, made the decision that the regulation of banks has to sit with the Central Bank, the regulator and organisations like the Insolvency Service of Ireland to deal with the kind of social issues that can emerge. Not only from a policy point of view is it something that should not happen but, from a legal point of view, because of the stakes that we, as a people, have in these banks - under the relationship agreement and the framework agreement that was made between the Government and the banks in which we have shares, and at the insistence of the European Commission - I am not allowed to be involved in individual commercial decisions that are made.

Deputy McGuinness made the point to me regarding what Mario Draghi said about the European Central Bank not forcing any individual bank to be involved in loan book sales. What the European Central Bank does is set the targets. It does not say much about how those targets are delivered. Of course, I then find myself in this House having to make the case and

offer a degree of support for decisions that banks make to pursue objectives that are set by the European Central Bank. While President Draghi and the European Central Bank do not say how objectives are reached, they are pretty clear that these objectives need to be reached. The Deputy will have experienced at least a taste of this when the chief executives of the different banks have been before the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach, as they are regularly. The committee asks them why they have to meet particular objectives and they are clear, because this is what the regulator wants them to do. It wants these objectives delivered.

Deputy Kelleher made the point that our banks are now stabilised and do not have the kind of difficulty that we all hope never comes back again. If I can emphasise one additional message here this evening, it is that even if they are stabilised, the regulatory pressure they are under to achieve new goals is not lifting, I am afraid. As the reality of what banking union means across Europe becomes clearer to us, two things will happen. First, the level of support that will be available by Irish banks participating in the banking union will become clearer. Second, the requirements that are on our banks to meet the targets of being inside the banking union are also going to become clearer. While it is difficult, it is really in our interests, given all we have gone through, to have Irish banks participating in the heart of a banking union.

Deputy McGuinness is right that it is a social issue in relation to what can happen to citizens who find themselves in this difficulty. I am as aware of that as he is, but that is why we have organisations like the Insolvency Service of Ireland. That is why it is issuing vouchers to help citizens avail of services. That is why it is running advertising campaigns to help people who are in difficulty. As I mentioned earlier this morning in the Dáil, many hours ago, more than 100,000 mortgages have been restructured and we have seen significant progress on the level of mortgage arrears in our country.

I will conclude on the point Deputy Kelleher raised in respect of the level of competition in our banking sector and the costs in our mortgage sector. I want to see more competition in the existing banks in our economy. I want to see greater encouragement for customers to switch accounts and to move from bank to bank. I want to see the total level of competition in the banking sector in Ireland increase. It will be a slow journey to get to that point but it is in the interests of everybody that the journey be completed.

The Deputy also made a point about the level of credit. He is right in his conclusion, but the factors affecting the level of credit and its pricing are more complicated than may have been suggested so far. It is only recently that we have seen the amount of credit being issued by Irish banks begin to exceed the amount of debt being paid off. That is only happening at this point in our economy and we need to see that change. While our banks are making more credit available, we need to see them being able to increase that credit in a sustainable way in order to meet the needs of Irish small and medium enterprises in particular.

Finally, there are many factors behind mortgage rates being so high in Ireland. I want to ensure the right social balance in supporting citizens who find themselves in difficulty but that, of itself, has consequences. The mortgage tracker scandal has consequences for the performance of banks. The low number of banks, to which the Deputy referred, is also a core factor with regard to the lack of competition. I want to see all of those things change.

**Acting Chairman (Deputy Bernard J. Durkan):** I thank the Minister.

**Deputy Paschal Donohoe:** I am just responding to the questions the Deputies have put to me.

**Acting Chairman (Deputy Bernard J. Durkan):** I agree. I am giving latitude because of the importance of the issue.

**Deputy Paschal Donohoe:** I thank the Acting Chairman. As I have said, I have met the commitments I offered to Deputy Michael McGrath earlier in the year. Extending the regulatory reach of the Central Bank to the fundamental owners of the debt can make a difference. I remind the House that the credit servicing firms themselves have always been regulated here in Ireland.

**Deputy Michael McGrath:** I am sure the Acting Chairman does not want this to develop into a broad discussion but I want to briefly address a few of the points that have been made. First, the Minister referenced the annual report of the Insolvency Service of Ireland. If he looks at the statistics we have so far for the lifetime of the service he will see that there is a problem when it comes to getting proposals approved and over the line.

To take the figures for personal insolvency arrangements, which is the form that involves secured debt, there was a “Yes” vote in respect of 51% of agreements between the fourth quarter of 2014 and the third quarter of 2018. From almost five years of data we see that there is a “Yes” vote in 51% of cases. There is a “No” vote in more than 39% of cases and in the case of approximately 10% protective certificates expired. The “Yes” vote has not been provided in 49% of cases. These decisions follow an exhaustive process whereby the personal insolvency practitioner, PIP, as the independent person who does not act for the borrower or the lender, looks at the case in full and makes a recommendation. In half of those cases there is a failure to deliver a “Yes” vote. That is a point we have been making. There is an issue there about the veto which is in place.

There is a mechanism under section 115A of the Personal Insolvency Act 2012 to appeal to the insolvency court. That is not working. It can take a year or more for cases to come through and in the meantime there is immense pressure on the families concerned who are caught up in that situation. I will talk to the Minister again about how that issue needs to be looked at but in 50% of cases there is a failure to deliver a “Yes” vote on proposals coming from an independent professional who is qualified to deal with them.

On the issue of non-performing loans, NPLs, there is undoubtedly pressure from Europe. It comes from the Single Supervisory Mechanism, SSM, and from its agent here in the form of the Central Bank. When I went to Frankfurt with the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach to meet with the chairperson of the SSM, Danièle Nouy, I told her that it was fine for her to say that she is not advising any individual bank to sell loan portfolios, but that she is also telling them that they must reduce their NPL levels to the European average of 4% to 5%. She shot me down straight away. She said that she had not set any target for the banks to reach in reducing their NPL levels. She said that to us openly.

I know what it is going on. I know the pressure is undoubtedly there but she explicitly told members of the Oireachtas Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach that no target or figure, including the European norm, had been set to which the banks were to reduce their level of NPLs nor had banks been advised to sell loan portfolios. It is important to put that on the record because that is what was said. There were many people in

the room who will confirm that.

It is also important to acknowledge that the farm organisations strongly support this legislation. They have come before the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach and have explained their frustration at trying to deal with these vulture funds on behalf of farmers to try to get restructuring agreements over the line.

On the issue of whom the contact is going to be with, it is worth pointing out that the benefit to a fund of appointing a credit servicing firm is that it can avoid regulation and maintain the status of being an unregulated loan owner. When this legislation becomes law that will no longer be the case because the loan owners, the people ultimately making the decisions on the strategy and the portfolio, will be required to be regulated. That will involve the imposition of requirements by the Central Bank. Becoming a regulated entity is an onerous process. The Central Bank will set certain standards and require certain things to be done to ensure that regulation is fully put in place and vindicated in that respect.

It is worth acknowledging what Deputy McGuinness has said as Chairman of the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach. That committee went to great lengths to get these funds before the committee to answer straightforward questions. They would have been given a fair hearing but time and again they have refused point blank to come before the committee to be questioned about their business models, about how they treat customers and about why they wish to remain unregulated. I am thankful that we are at least dealing with that last issue, but it is important to put that on the record as well.

**Deputy John McGuinness:** When the banks were in trouble they came to the Minister and Government of the time and were bailed out. They obviously told lies about how they were fixed at that time. There might have been a different complexion on the matter had the Minister known everything, but the banks were saved and now, when people have to be saved, they are telling untruths by saying that this has to be done for Europe. We now know that they do not and that there is a mechanism whereby they can park an awful lot of this debt, work down through it and have their balance sheets right for Europe while at the same time helping the people in Ireland who are affected by these distressed mortgages. There is a lot more that can be done but they just will not do it.

Deputy Kelleher mentioned interest rates. Following the recent report on community banking, why would the Minister not hear of introducing the model? Sparkasse in Germany is offering tracker mortgages at 1.3% or 1.5% but we cannot do it here. The very same banks are making €1.5 billion a year and do not pay tax. Some of these other fellows have charitable status. It just does not make sense. It beggars belief that the Government will not take on the banks. I am not asking the Minister to interfere in their business; I am asking him to set out the demand that they exercise some sort of social conscience around the remaining mortgages currently in the banks to prevent people from being dragged through court, losing their homes and further complicating local authority housing lists. There is a social consequence and cost here that no one seems to be measuring. I encourage the Minister to take that step, bring the banks in and force them to a position where they acknowledge all of what was done for them and for them to do something for the country in return.

Many businesses that broke down during the bad times were cited on the Credit Bureau and will not get money from banks for seven years, so they cannot get loans to rescue a viable business and keep it going, yet we have credit unions with €7 billion that want to have a role

but they are regulated by a Central Bank that is protecting the main banks. That does not make sense. If the Minister were to exercise some form of authority over them and talk to them they might release the money into the economy and we might get houses built and businesses at local level supported by a credit union movement or community banking movement that understands what local economies are all about. We might have more competition and less of the protectionism that is going on between the banks. Is it not amazing that they all entered into the tracker mortgage scandal and adjusted their books around the same time? The Minister says they have to rebuild their balance sheets after that but they are only giving back to the people the money they stole from them. Now they have to be dragged before committees where they started by telling us that there were 4,000 affected customers but that went up to 17,000. They could not even count the numbers they had tricked and conned out of their money. It is only the customers' money that is being given back to them. I would give no quarter to the banks. They are not treating the Minister fairly and they are not being honest with the State, once again.

**Deputy Michael Fitzmaurice:** I thank the Minister for the clarification. I will forward him an email on what some local authorities are doing. The one thing that we have not addressed is the situation I referred to in middle Ireland. There is nothing available if one is above the threshold. The banks try to tick boxes but after that there is no solution for many of those people. Ironically, I got a text while we were talking about a 70 year old who owes €16,000 and the bank has said the person must get out of the house as there is no provision for people when they are over 70.

People could owe €200,000 and a vulture fund might have bought the property for €110,000 or even as little as €80,000. Those people would fully function in Ireland at €150,000 but the problem is that one cannot get one's hands on money, as Deputy McGuinness pointed out. It is like someone who has a disease; the other banks do not want to touch such a person no matter how much one tries. We must ensure we introduce measures to help people. If someone makes a settlement with a bank or vulture fund that is recorded. If one looks for money one hears everything back and that puts a wobble on things when it should not because if one gets loan clearance then one has a chance of making money.

I welcome the Bill and the input of Deputy Michael McGrath and the Minister, but we have other parts of the jigsaw to try to put together if we are to bring people back to live without fear. Day in and day out we see the fear and trauma, the break-up of families and hardship. Unfortunately, sometimes we see worse than that.

**Acting Chairman (Deputy Bernard J. Durkan):** I have allowed latitude so as to ensure as much information as possible is made available to both sides. The Minister is well aware from previous performances that I went into this issue myself. I ask Members to bear in mind that we are to bring matters to a conclusion by 8 p.m. I say that on the basis that interaction is promised by the Minister with the Opposition. I would like to be involved in that myself.

**Deputy Paschal Donohoe:** I will make two final points because the amendments are technical in nature and I hope we will be able to pass them quickly. I do not want my comments to be misinterpreted. What Deputy McGuinness just said about the tracker mortgage issue is correct; the money that was being returned to people was their money, full stop, end of story. The fact is that more than €500 million has been returned to people, but it was their money in the first place and whatever the consequences are for the return of that money on the balance sheet of banks pales into insignificance beside the fact that those people should not have lost their money in the first place. I am really clear on that.

I will conclude on this second point which I wish to emphasise. In some of our banks we have one of the highest levels of non-performing loans within the eurozone. That is despite the fact that we have an economy that has been growing very quickly in recent years. One bank in particular has a level of non-performing loans that is way higher than the European average, and even though, on average, we have made significant progress in reducing the level of non-performing loans in this country, it is still high in comparison with other countries despite the fact that we have a recovering jobs market, income is recovering and the economy, as we all know, in recent years has performed really well. That has consequences for our banks in terms of them being able to do all the other things Deputies have raised this evening. Ultimately, we do need to find a way that is socially acceptable in which that level of risk can be reduced because if the country ever finds itself in further difficulty, that level of risk will be a fault line. I will leave it at that.

Amendment agreed to.

**Deputy Michael McGrath:** I move amendment No. 2:

In page 4, line 10, to delete “maintaining” and substitute “maintenance of”.

Amendment agreed to.

**Acting Chairman (Deputy Bernard J. Durkan):** Amendment No. 3 forms a composite proposal with amendment No. 7 and they will be discussed together. Is that agreed? Agreed.

**Deputy Michael McGrath:** I move amendment No. 3:

In page 4, lines 24 to 26, to delete all words from and including “or” in line 24 down to and including line 26 and substitute the following:

“(c) a credit servicing firm taken to be authorised to carry on the business of a credit servicing firm by virtue of subsection (4), or

(d) a credit servicing firm referred to in paragraph (b) of section 34FA(1) that undertakes, on behalf of a person referred to in the said section 34FA, credit servicing within the meaning of subparagraphs (i), (ii) and (iii)(I) to (VIII) of paragraph (b) and paragraph (c) of the definition of ‘credit servicing’ in section 28(1);”.

As I mentioned earlier, these amendments are aimed at addressing a concern of the Central Bank which was notified to the Select Committee on Finance, Public Expenditure and Reform, and Taoiseach. The amendments ensure that an owner who is taken to be authorised on a transitional basis will still have to continue to employ an authorised credit servicing firm to undertake the existing regulated activities. The owner will be transitionally authorised to undertake the newly regulated activities provided for in the Bill: in paragraph (a) holding the legal title to credit granted under the credit agreement; in paragraph (b)(iii)(IX) determination of the overall strategy for the management and administration of a portfolio of credit agreements; and under paragraph (b)(iii)(X) maintenance of control over key decisions relating to such portfolio.

The existing authorised credit servicing firm will continue to undertake the other activities, that is, under subparagraphs (i), (ii) and (iii)(I) to (VIII) of paragraph (b) and paragraph (c) of the definition of “credit servicing”. I do not propose to list all of those out but they are the activities that are currently regulated by the Central Bank.



The change in amendment No. 3 adds to the definition of “credit servicing firm” to include a firm that is undertaking the current activities on behalf of a transitionally authorised firm. That is needed because the definition of a “credit servicing firm” means a person who undertakes credit servicing other than on behalf of a regulated financial service provider. The new owner will be a transitionally authorised financial services provider, so we need to make sure that the credit servicing firm operating on their behalf still needs authorisation.

Under the new paragraph (b) of section 34FA inserted by amendment No. 7, the owner can only get the transitional authorisation provided these activities are being undertaken by an authorised credit servicing firm. The owner will be subject to the supervision of the Central Bank in respect of the new activities and the bank will be able to impose administrative sanctions on the owner, as it can on any regulated entity.

In essence, these two amendments are to ensure that during the transitional provisions there are no gaps in the regulation. That is the key measure. The idea is that during the transition period a fund will be regulated for the new functions that are covered. These include holding the legal title for determining the overall strategy for the management and administration of the portfolio and maintaining control over key decisions relating to the portfolio. During the transition, the fund will be regulated for those functions. However, until the transition is over and the fund becomes fully regulated in accordance with the full set of provisions under the credit servicing legislation, the existing agent has to continue to be regulated and authorised in full. The idea is to ensure there is no gap.

I wish to be clear with people whose loans have already been sold by banks to vulture funds: these provisions will apply. They will be regulated. In that respect it is retrospective, because it deals with loans already transferred. The loan owners will now be required to become transitionally authorised and then, ultimately, fully authorised.

Amendment agreed to.

**Acting Chairman (Deputy Bernard J. Durkan):** Amendments Nos. 4 to 6, inclusive, are related and may be discussed together by agreement.

**Deputy Michael McGrath:** I move amendment No. 4:

In page 4, line 36, after “interest” to insert “in the securitisation”.

As I mentioned earlier, these are technical amendments concerned with wording changes to reflect the securitisation regulation. The Central Bank has been consulted to ensure that they do not give rise to unintended consequences.

Amendment No. 4 will add the words “in the securitisation” to the term “retain on an ongoing basis a material net economic interest of not less than 5 per cent”, so that it will now read “retain on an ongoing basis a material net economic interest in the securitisation of not less than 5 per cent”. This is so that the term will reflect the securitisation regulation.

Amendment No. 5 will add the term “original lender” as another term that will have the same meaning as in the securitisation regulation.

Amendment No. 6 specifies that the owner, sponsor or original lender of the securitisation is required to retain on an ongoing basis a material net economic interest in the securitisation of not less than 5%. The previous wording only referred to “owner” while the revised wording

reflects the regulation. These amendments are to give effect to our intention from the beginning, which has been to ensure that passive securitisation was not captured in any way by the new regulatory regime. As the Minister of State at the Department of Finance, Deputy D'Arcy, will know well given his responsibility for financial services, securitisation is a bona fide activity and an important part of the financial services sector in Ireland. It was never intended to capture this activity. Where it happens and involves a bank, for example, then the customer relationship would remain with the bank or financial institution. The provision is giving effect to that intention.

I will thank those who need to be thanked later on but I wish to highlight that this has been done in consultation with the Department of Finance and the Central Bank.

Amendment agreed to.

**Deputy Michael McGrath:** I move amendment No. 5:

In page 5, line 9, to delete “and ‘sponsor’ ” and substitute “ ‘sponsor’ and ‘original lender’ ”.

Amendment agreed to.

**Deputy Michael McGrath:** I move amendment No. 6:

In page 5, to delete lines 32 to 34 and substitute the following:

“(c) the originator, sponsor or original lender of the securitisation is required to retain on an ongoing basis a material net economic interest in the securitisation of not less than 5 per cent;”.

Amendment agreed to.

**Deputy Michael McGrath:** I move amendment No. 7:

In page 6, lines 10 to 16, to delete all words from and including “firm” in line 10 down to and including line 16 and substitute the following:

“firm, in so far as that business relates to credit servicing within the meaning of paragraph (a), (b)(iii)(IX) or (b)(iii)(X), as the case may be, of the definition of ‘credit servicing’ in section 28(1) (in this subsection referred to as ‘the specified matters’), immediately before the coming into operation of the *Consumer Protection (Regulation of Credit Servicing Firms) Act 2018*, is taken to be authorised to carry on the business of a credit servicing firm, in so far as that business relates to the specified matters, after such coming into operation until the Bank has granted or refused authorisation to the person, provided that—

(a) the person applies to the Bank under section 30 for authorisation no later than 3 months after that coming into operation, and

(b) a credit servicing firm undertakes, on behalf of that person, credit servicing within the meaning of subparagraphs (i), (ii) and (iii)(I) to (VIII) of paragraph (b) and paragraph (c) of the definition of ‘credit servicing’ in section 28(1).”.

Amendment agreed to.

Bill, as amended, received for final consideration.

Question proposed: “That the Bill do now pass.”

**Deputy Michael McGrath:** I will be brief. I want to put on record our thanks to the Minister for facilitating and supporting the legislation and for making the process as straightforward and efficient as possible. I thank in particular the officials within the Department of Finance. They did a great deal of work on this Bill. They had significant contact with the Central Bank. I know many work-hours went into the Bill. I deeply appreciate the efforts that have been put in. I also wish to acknowledge the anticipated support from the other strands of the political spectrum.

We are not presenting this Bill for more than what it is. It is not a silver bullet. It will not solve every issue of mortgage arrears or the issues of small and medium-sized enterprises that are struggling with excessive debt. However, it will for the first time ensure that the ultimate owners of these loans can be and will be directly regulated by the statutory regulator in our country, the Central Bank of Ireland. That is an important step.

It is important to put on record as well that if there are attempts to circumvent this legislation – we are not naive – we maintain it has been crafted a way that will address that. Let us suppose there is a pyramid of a certain structure with a fund at the top of the structure. Organisations can set up whatever entities they want as part of that structure. However, if the ultimate decisions are being made and the overall strategy for the future of a given loan portfolio is being determined at the top of that pyramid – it will be because of the business model that these companies operate – then all the elements will be captured by this legislation and the new regulatory regime. That is an important point to put on the record.

Many other issues need to be dealt with, including those raised at the beginning of Report Stage around interest rates. The Minister knows my thoughts and ideas on these matters and we will be discussing them further along with the issues around the Insolvency Service of Ireland. We are not blind to the ingredients that feed in to the cost of credit in Ireland, but there are ways of tackling the matter in a responsible way and in a way that will seek to bring about better value for customers. We saw only yesterday the latest report from the Central Bank. It shows the direction of profitability of banks in Ireland, and the direction is clear. We see the direction of the net interest margin, which has been growing considerably in recent years as we have emerged from the crisis. Further interventions are necessary. We want to see more competition in the market. That would be welcome. There are some emerging signs that competition will come.

We welcome the anticipated passage of this legislation. We appeal to the Government to generously provide Government time in the Seanad to ensure the Bill can complete its journey in the Seanad efficiently. We would like to see this Bill signed into law before Christmas so that for the first time, these loan owners and vulture funds will now be directly regulated and within the reach of the Central Bank. The Central Bank will be able to knock on their door, ask questions, demand answers, hold them to account and insist on transparency in how they do their business. That is an important step and a good day’s work.

**Minister for Finance (Deputy Paschal Donohoe):** I wish to thank my officials, who have put considerable work into co-operating with Deputy Michael McGrath on this Bill.

I am keen to emphasise one objective we have not touched on tonight. We have all talked about the different objectives that Deputies have relating to Irish banks. I have another objec-

tive that has not been mentioned this evening. I want the Irish taxpayers' money back. I am struck by the degree to which the fact that we have a high share of ownership in the Irish banking system has become normalised. Over time, the Irish taxpayer will need that money back. A considerable amount of money has been invested. We need to look at the different policy objectives that people have and the balance between doing the right thing by our society and ensuring that we have banks that are able to meet the investment and credit needs of SMEs and families. At the back of all of this is the fact that we are still majority shareholders in two of our banks and a minority shareholder in another bank. It is not in the long-term interests of our State, I believe, that we continue to be such a significant owner of each of these three banks. Over time, and at the right point, I believe it is in the interest of citizens that this interest be reduced and that we get our money back.

**Deputy Eamon Scanlon:** I wish to comment briefly. On behalf of Fianna Fáil, I thank Deputy Michael McGrath for persisting with this Bill. I acknowledge that the Government is supporting the Bill, which is very important. While Fianna Fáil has taken a lot of stick for signing up to a confidence and supply agreement, what is happening here tonight shows that it can and should work both ways.

**Deputy John McGuinness:** There should be more than just this example. We should get a little bit more respect from the other side of the House.

*(Interruptions).*

**Deputy Eamon Scanlon:** That is a very important issue, and I want to recognise it. Many things have been said here tonight. Deputy McGuinness spoke about distressed mortgages, as did other Members. There are many distressed people out there, many of whom are on the verge of suicide. I thank Deputy Michael McGrath on behalf of the many hundreds of people whose mortgages will, hopefully, be resolved as a result of our actions here tonight. There are decent, honest people out there. Some 99% of Irish people are decent, honest people. Some of them got in over their heads, unfortunately, because of the price of property. That was not their fault, but they are trying to cope. I am aware of people who do not even know who owns their mortgages at this point in time. Some people are trying to deal with vulture funds with personal insolvency practitioners and solicitors. The vulture funds are not responding to the representatives of these people, and we all know that the people themselves cannot correspond with them because the funds will not speak to them either. In the meantime these funds are charging 7% interest on overdrawn mortgages. People defaulted somewhere along the line and the funds are charging them whatever they like. In the meantime property prices are going up as well. People are being attacked from all sides, and the banks do not care. There is no respect whatsoever for the people who have suffered so much, despite the fact that the banks were all bailed out, as the Minister pointed out. We will be paying the price for a long time to come. I hope we get the money back from the banks because we deserve to get it back.

Question put and agreed to.

**Deputy John McGuinness:** Does that just cover the Bill or does it cover the confidence and supply agreement as well?

## **Social Housing Bill 2016: Second Stage [Private Members]**

**Deputy Eoin Ó Broin:** I move: “That the Bill be now read a Second Time.”

Before I get into the short Bill before us I want to ask a couple of sincere questions. How many real social houses do we actually need to meet the level of demand that is out there at the moment? I use the words “real social houses” deliberately, partly because that is what the Joint Committee on Housing and Homelessness spoke about in 2016 in its report in discussing houses owned by local authorities in approved housing bodies. When we are talking about meeting the long-term needs of people on social housing waiting lists, notwithstanding the need for subsidised private rental accommodation as a short-term measure, real social houses are what we should be looking at. We need approximately 130,000 real social houses. There are just over 70,000 households on the local authority housing waiting lists, approximately 40,000 households in receipt of the housing assistance payment, HAP, and just under 20,000 households in receipt of the rental accommodation scheme. Any Government strategy that is going to work in the short to medium term has to have a target of a minimum of 130,000 units to meet current need.

Rebuilding Ireland has committed, between 2018 to 2021, to building 30,000 real social houses owned by local authorities and approved housing bodies. Post-Rebuilding Ireland, if one looks at the targets outlined in the national development plan, up to 2024 approximately 10,000 real social houses a year are planned. That means that between now and 2024, on the basis of the current targets, the Government is going to meet approximately 45% of the real long-term social housing need of the households currently on the list. That means, of course, that not only will it be short on current need but it will also be unable to take into account future need as more people join the list. Of course, that is assuming those targets are met.

I have always been very clear that the Rebuilding Ireland targets in 2016 and 2017 were met. There is a concern, particularly given the fact that the construction targets at the end of the second quarter of this year are only at 28%, that that target might not be met this year. It is a significant target, so we will have to wait and see. The gap between what will be delivered under Rebuilding Ireland and the national development plan is not in doubt. It is enormous.

When we look at affordable housing we can see that the situation is actually somewhat worse. If one were to ask how many affordable homes to buy and rent we need in our housing system, the straight answer is that we do not know. The Government does not attempt and has not attempted to calculate the level of need that is out there in terms of affordable homes for rental or purchase. Amarach Research figures published yesterday at the Housing Agency’s conference tries to give a sense of how many people living in the private rental sector, for example, are paying over 30% of their income for their accommodation. The number is quite high. The ESRI, in a paper published earlier this summer, spoke about 32% of households paying more than 30% of their income on rent or mortgages. However, in the bottom 25% of income earners it is 75%. This clearly shows that there are thousands, if not tens of thousands of households, in desperate need of affordable housing.

Rebuilding Ireland, when it was originally published, had no targets whatsoever for affordable housing. While there are now a number of schemes, including cost rental pilots, the serviced sites fund, local infrastructure housing activation fund, LIHAF, and the Rebuilding Ireland home loan, the targets are still very hard to understand. Perhaps over the course of the next three to five years we might get 6,000 to 10,000 affordable rental and purchase units, but

clearly nowhere close to what is required.

All of that, of course, is before we raise the issue of Brexit. We have had two very interesting hearings in the Joint Committee on Housing, Planning and Local Government in the last two weeks. All of the people appearing at that committee, including representatives from the ESRI, the Nevin Institute and industry bodies, told us that any negative Brexit, whether a hard Brexit or a negative soft Brexit, will have an impact on both housing demand due to increased inward migration from Britain or elsewhere in the European Union, and also an impact on private sector costs in terms of construction and financing, as well as potentially affecting delivery of the private sector units.

Rebuilding Ireland and the national development plan will not meet social or affordable housing need, and we have a very significant risk coming down the line which might further reduce private sector supply at a time when we have a significant reduction in the number of private rental units in the private rental sector. It could also knock some of the social housing support targets off-line as private sector units that are targeted for HAP, RAS and long-term leasing do not come on stream.

The conclusion of all of this is that the current plan, even if one thought it was a good plan and that it would deliver on all its targets, is not going to meet anything close to the level of social and affordable housing need. It is on that basis that I have brought forward the Bill in front of us. It is very simple. It says that with respect to standard private sector developments the Part V component of social and affordable units should be at around 25%, which is close to the original Fianna Fáil legislation of 20%. It also adds that in strategic development zones, particularly because of the importance of these sites, the target should actually be 30% social and affordable homes, the mix to be determined by the relevant local authority and the planning process. Many developments are already doing this. In my own constituency, in the Shackleton development a developer recently entered into a voluntary agreement with the local authority and Túath Housing for 26% social housing. It makes eminent sense from its point of view. The Minister will know that his predecessor, the Tánaiste, played a very positive role with Dublin City Council and local communities in Poolbeg to ensure that strategic development zone would have just under 30% social and affordable housing. What we are putting on the table is something that is already happening. Many developers are actually very interested in a higher percentage of Part V housing because it solves some of their financing problems and makes it easier to secure bank finance for the remainder.

The Government says that mixed tenure is key to sustainable communities. I support the social housing infill projects, but many of them are not encouraging greater mixed tenure. In fact, there is social housing infill in areas with large volumes of social housing already in place. Some research from social housing policy experts in this State is beginning to suggest that if the portion of Part V units is too small it creates a sense of isolation and marginalisation for the small number of social housing or lower-income tenants living in large private housing estates. If the Government was really serious about sustainable communities and the mixed income and mixed tenure model, it would be looking to have a portion of Part V units in private developments higher than the current figure of 10%. From the points of view of the developers, of need and of the Government's own policy, what is in this Bill is actually eminently sensible. I find it hard to imagine anybody would be unable to support it.

I do not want to sound disrespectful, but I can almost hear the Minister's speech as I am saying those words. I am sure he will tell us that he appreciates the sentiment behind the Bill. He

will tell us he accepts that I am genuinely trying to increase the supply of social and affordable housing. However, he is going to tell us about unintended consequences. It has almost become the standard response when something is actually a good proposal but for whatever reason the Government does not want to support it. It relies on the politics of unintended consequences. The only unintended consequence I can imagine the Government might see in this is as follows. It might allege that the developer, denied the profit margin on the 15% that would have been private and is now social and affordable, will seek to recoup it on the remainder of the private units. The irony, of course, is that every time we propose putting social housing into private development the first thing everybody tells us is that it will lower the value of private sector homes. It is one of the objections by which some parties' councillors around the country try to block Part V developments. I do not think there is any evidence to suggest this, and if the Minister does use that argument I hope he relies on evidence rather than mere supposition to justify his position.

With respect to Fianna Fáil, I genuinely do not know what that party's position will be. I really hope that Fianna Fáil supports the Bill, both because of its spirit and the fact that it is close to Fianna Fáil's original Bill. If Fianna Fáil Members are concerned that 25% is too high I am genuinely open to amendment on Committee Stage. I would prefer 25% and I think that logic suggests it. However, if on Committee Stage Fianna Fáil's representatives were genuinely to suggest they could agree on a lower percentage, I am open to doing that. Anything above 10% is better than 10%. I appreciate that this is a slightly different idea, but I can say the same about the 30% figure for the strategic development zones, SDZ. If Fianna Fáil is interested in a genuine discussion with us either on the percentage or on the wording by which we frame it, we are genuinely open to doing that. The Bill could outline an aspiration of up to 30% rather than making it the minimum figure.

The reason I say that is that something very important happened in the Joint Committee on Housing, Planning and Local Government today. A positive outcome followed a very strong collaboration between Opposition parties, spurred on by the very successful mobilisation of students in Dublin, Galway and elsewhere, which put an issue on the agenda of this House that I do not think the Government had intended to deal with. Opposition parties, in particular ourselves and Fianna Fáil although others supported it too, said that we need action on this. We tabled our own legislation and we met with the Minister. To the Minister's credit he accepted the arguments that we put forward, and it was reported in the committee today that the Department is working on amendments in line with the intent of the Sinn Féin Bill, the Fianna Fáil Bill and the desire of other political parties on the committee. It looks like we are going to end up with exactly the kind of protections that everybody here says they want as a result of that action. My appeal to Fianna Fáil today is that we did it on student housing. There is a credible argument that we could do it on this as well, and we are genuinely open to compromise if that is of any assistance.

What is the consequence of us not doing this? It is very simple; there will be fewer social and affordable housing units. At a time when we are in desperate need of increased output no matter what interpretation of the figures one uses, anything which increases the quantum of social and affordable housing must be considered. The offer I made to Fianna Fáil of looking at the percentages and the wording I also make to Government. We said today as we progressed our Residential Tenancies (Student Rents, Rights and Protections) Bill 2018 that if the Government brings forward its own amendment we will take ours off the table. I make exactly the same offer today. If the Government comes forward with something sensible and credible we

will work on a cross-party basis to achieve it.

I refer to the Housing Agency's conference yesterday. The Minister spoke at the start and I was there for the bulk of the presentations. One of the really interesting things that struck me was that during the course of the conference, a range of voices who were particularly expert in looking at the private rental sector made some very startling and blunt observations. Sherry FitzGerald, not an organisation known for its left-wing radicalism and calls for State intervention, very clearly stated that if we consider the properties leaving the private rental sector, that is, the 9,000 rental properties we have lost in the last year and a half, and consider the current low level of private sector investment in the private rental sector, which may be producing 4,500 to 5,000 units a year at a time when 10,000 units are needed, there is clearly a huge problem in the rental sector. EY, another organisation not known for its radical socialist politics or strong advocacy of State intervention, examined what is happening with job growth in the economy. Its representatives noted that while there are very positive signs in aggregate, large numbers of people are coming into employment who are still on low or modest wages and private investors' activity in the rental sector will not meet the need of those people now in work. In many cases they are not eligible for social housing support and they are desperately in need of affordable rental or indeed purchase.

Mr. John O'Connor, with all of his expertise, was asked if he thought the market could fix that problem. When he was asked if it is time for an even greater level of public intervention in the affordable housing market, particularly rental, he said yes. He was not having a pop at any political party, but he said very clearly that in his view there was not a sufficient appreciation across the political spectrum of the scale of intervention in State-led affordable housing, particularly affordable rental housing, necessary to tackle the crisis. He said that if we do not address that, we are going to end up with an even bigger problem in the months ahead.

To conclude, this is a genuine attempt to put a proposition on the table to deal with an important issue. It is not going to solve all of the problems. It is a small but significant piece of the jigsaw to advance the response to the crisis. I am genuinely urging all parties and independents to look at it positively and to support the intention of the Bill. If they want to amend it, we are open to amending it on Committee Stage to ensure that instead of the 10% that is currently provided we can have a potential proportion of 15%, 20%, or as I would much prefer, 25%. This will ensure a greater level of social and affordable housing is delivered in the years ahead for the people who so desperately need it.

**Minister for Housing, Planning and Local Government (Deputy Eoghan Murphy):** I do not think we have ever had a properly functioning housing market in this country, at least not since 2002. We have to get involved as a State and as a Government. We have to play an active role and do so for many years to come to meet the needs of different people in our country today. One thing that is clear at the moment, particularly as we look at the budget that has just passed for 2019, is that the Government is actively involved in the housing market. We will spend more money next year on housing than any previous Government has ever spent in a single year, some €2.4 billion. That will go into different solutions to help people in housing need. Between one in four and one in five homes built this year and next year will be a social housing home, which is quite something given where we have come from. As part of the confidence and supply agreement we have agreed the largest affordability package in a decade between ourselves and Fianna Fáil. We have launched the Land Development Agency to use public land for building houses. We are doing much more than that, around regulations, ideas and initiatives like cost-rental. We are holding conferences on homes for the elderly and how



we can wire that into our planning for the future. These are things that we as a Government and a State, through the Department, local authorities, housing bodies and other stakeholders, are doing to ensure that we are directly involved in housing solutions for our people, because we have to be.

The purpose of all of the measures we have brought in during the last couple of years under rebuilding Ireland, and will continue to bring in during the following years under project Ireland 2040, is to ensure that we move away from the violent market-led swings up and down that we have seen in the housing sector far too many times in this country's history.

*8 o'clock*

Those swings can affect rental prices, the price of a home, the number of people employed in housing, the amount of money we get in taxation from housing-related products and services and even the number of homes being built. Ninety thousand homes - twice too many - were being built. The number fell to fewer than 5,000 a couple of years after that. Tens of thousands of builders and workers lost their jobs. Hundreds of thousands of people fell into mortgage distress and other types of distress as a result.

What we are trying to get to is a steady and sustainable output. We talk about sustainable housing delivery. It is not jumping to 60,000 homes next year to fall back to 20,000 homes the following year. It is a consistent output of supply, somewhere between 7,000 and 9,000 homes a quarter. We are close to hitting 6,000 homes a quarter. We will get somewhere in the region of 20,000 new homes this year and 25,000 new homes next year. That is sustainable delivery.

The important point about that delivery is that it will ensure that no matter what happens in terms of future economic shocks, there is a committed level of taxpayer-sourced funding for housing delivery in the wider economy but also that intervention in terms of social and affordable housing schemes. We have that in the ring-fenced programme, Rebuilding Ireland. We have it in some of the new measures to leverage more private finance and different types of finance, not from the Irish sector exclusively but from different areas, to help protect house building in the economy.

We must include social housing at the core of what we do every year when it comes to housing construction and we must ensure that homes, as they are built, are affordable. The use of that word "affordable" is not to imply, just because one does not come under an affordability scheme, that the other houses being sold are unaffordable. What we are really talking about with affordability are homes subsidised, either to buy or to rent. What we are trying to do is prevent and protect against shocks that hurt people and result in them needing emergency accommodation. It is an unacceptable situation, as we have all stated previously, to have people going into hotels tonight as part of an emergency response until we have these homes built. We want to make sure that we never have to rely on hotels for families as a type of emergency accommodation.

The Deputy who brought forward this Bill was incredibly condescending in assuming to know what I might think about it or the arguments that I might make. He does not have the responsibilities the Government has and his party does not have the responsibilities that both Fine Gael and Fianna Fáil have in establishing confidence and supply, and to dismiss the idea of having to consider unintended consequences is incredibly naive. Of course, we have to think of the unintended consequences. The reason we came forward with Rebuilding Ireland as a pack-

age across the housing sector was that we had to think about the knock-on effects of different policy proposals that we brought forward. If one brings proposals forward in a piecemeal fashion without thinking about the possible negative consequences, one could do more harm than good. We have to be conscious of unintended consequences. What led us into the crash was many different Ministers and others trying to do the right thing in most instances, making individual decisions and those decisions not being joined up. It led to the chaos we had when our housing sector collapsed and it took the economy with it. My responsibility, as a Minister, is to make sure that I think of all possible consequences from every policy that is brought forward.

I will not be bullied by the Deputy in the way that he presents his arguments or in the way that he, his leader and his party try to treat Members in this Chamber when we try to have reasonable debate. We need to move beyond these personal attacks. People are fed up with such attacks. They want to focus on policy. Let me focus on the Bill that we have at hand because I am not interested in personal attacks.

This Bill assumes that there are no other streams for social housing delivery today. It seems to ignore the multiple streams that we now have for social housing delivery to protect us from future shocks. We have Part V, which we have reformed. We have housing bodies now playing a much more active role in the delivery of social housing and partnering with local authorities, which have taken back responsibility and are ramping up the delivery of social housing. We, obviously, also acquire homes as well - there are properties to acquire - where we can help people more quickly, and often more cheaply, than if we were building directly. We enter into long-term lease agreements as well because it is another way of the State being able to bring security and safety to people in their homes, adding to the stock of social housing.

We often talk about numbers and percentages. The Deputy, in his speech, outlined some. On this idea of 20% or 25% social housing homes, one in four to one in five homes built this year, and again next year, will be social housing homes. Of new builds, 20% to 25% will be social housing homes. Project Ireland 2040 talks about 110,000 new social housing homes in the stock of social housing by 2027 which is not far off the figure the Deputy himself gave. The stock of social housing will increase by 8,000 this year, and 10,000 next year. These are real social housing homes. They have walls, roofs, doors and windows, gardens, and keys. People live in them. They have security in their homes because it is social housing.

We also have to recognise in the solutions that we are bringing about with Rebuilding Ireland and Project Ireland 2040 in terms of the stock of social housing that not everyone will want to live in a social housing home. Many people will be happy to be supported, through State supports such as the housing assistance payment, in the rental market because of the flexibility it provides depending on where they are in life. We have to recognise that physically built homes is not the only solution for people. That is programmed into Rebuilding Ireland, which, in coming forward with the number of 50,000 homes, was approved by the Oireachtas committee. We now have hard-wired into our plans for the next ten years this constant output of social housing homes being delivered directly by the State with its partners.

This Bill also ignores the changes that have been made to Part V after we learned the lessons from the crash. No payment can now be made in lieu of Part V homes and the homes have to be delivered. It is not possible to transfer a site or a part of the site. We can conclude the agreement before builders are able to go on site because it is all about focus on delivery of the finished units for social housing.

The Bill also ignores the fact that we have a Land Development Agency, which is a different way of going about getting something back for the planning gain that arises when a planning permission is given or property is zoned. Part V will continue to be a way of doing that but with the Land Development Agency, we can now strategically acquire land before it is zoned, master plan it, put the infrastructure in place, get the planning in place and get the zoning in place. We will get the uplift that is normally got by a developer because the State is the developer and we then use that for dividends, such as affordable housing or more affordable homes. That is the purpose of The Land Development agency, LDA.

It also ignores the fact that the affordability provisions were stood down previously in 2011 because affordability was not an issue after the crash. In 2011, house prices were still falling and they continued to fall through 2012. We were left with 3,000 ghost estates, some of which we are still dealing with. House prices are on average still 20% below the peak even though there are, of course, rapid house price rises in certain parts of the country, but they are beginning to slow. Affordability, as a result, is a different challenge depending on where one is in the country and other factors.

We have now recommenced those affordability provisions because there is a significant affordability challenge in the country today. That is why it is important that the State maintains its involvement. The State has really become involved in the past number of years with Rebuilding Ireland. That involvement is being maintained because what is certain is that as we build more homes, if we want to make sure that those homes are more affordable, not only through subsidised housing but also through affordability being delivered, for example, through extra supply, we have to make sure that we become involved to make affordability happen. We have done that through the Rebuilding Ireland home loan. We have had more than €200 million - the first tranche - in housing agency approvals and those should flow down through the credit committees and local authorities. The rent-to-buy scheme has been successful in helping young couples get the deposit together to buy a home.

We have brought in the rent caps. New legislation is coming which will better enforce those rent caps and give greater powers to do that. We have the €300 million, which we announced in the budget, over the next coming years to allow the Government to share the burden of the mortgage with the individual or couple who are looking to buy a home. We have cost rental that we are trying to do with scale at St. Michael's and other places using new forms of finance, such as the European Investment Bank, which needs to become a major part of our rental market. In that way, of course, the State will stay involved in delivering affordability for a number of years to come.

We have to make sure also that as we drive affordability in our housing supply, we are driving different types of homes. It is easy to build the three-bedroom semi-detached house. We are good at that in this country. We are not as good at building apartments. That is why we have new apartment guidelines, new height guidelines, and provision for a greater number of studios. One does not need to get planning permission to build above the shop now as long as there are fewer than ten units. There are new guidelines for build to rent, which is seeing greater investment. There are new guidelines for co-living. All these things, including the consultation process that has begun in regard to elderly people's homes and elderly living, will help us bring about greater security of housing supply because the houses will meet the needs of people as their lives change and as the economy changes because of the technological revolution that we are going through.

If I could welcome one provision in the Bill, I would welcome the fact that it seeks to in some way mirror the provisions that we brought forward with the Land Development Agency in terms of making sure that when we bring forward public land for house building we are trying to get a social mix. It has been unclear until now whether Sinn Féin was in favour of a social mix when it came to housing delivery. We believe that we should use housing policy to support and unite communities, not to divide them, and that is why we came forward with our proposals for social and subsidised housing on public land with the Land Development Agency. I hope that is support for those policies in the Land Development Agency plans.

The big risk with this Bill is that it will increase the cost of building homes.

The Deputy is wrong to dismiss that because, of course, the cost of providing those homes at a lower price will have to be transferred on to the build price of the other units on that site. That could make those homes more expensive as the builder seeks to achieve a margin on those homes that are built. When social housing is proposed in certain local authority areas, local residents in existing homes will object, which they should not do, and be supported by politicians, which should not happen. One of the fears voiced is that it will lower the price of the existing homes in that area. I think they are wrong on that score. I do not think, however, it is wrong to suggest that if the builder is going to lose money if a greater proportion of homes are built on the land, this cost would not be transferred to the homes that are to be built. In trying to achieve affordability with these measures and without thinking about the other consequences that would come from this blunt instrument, it will make homes less affordable for young people and young couples. That would be the net effect of this Bill. It will achieve the opposite of what it seeks to achieve just like other proposals like the Focus Ireland amendment on preventing evictions. They sound very good when one hears them but when one drills down, one realises that they could give rise to far more notices of termination, overwhelm the system and force more people into emergency accommodation than are prevented from entering it.

We talk about a steady output of housing and all the different measures that are in place to deliver social housing, all the commitments that have been given, all the funding that is there and the programmes that are there to ensure we have subsidised and affordable housing coming on stream. We must get to a steady output of housing and fix our broken housing sector. When it is fixed, we can look at other proposals. We can look at different things we might do when we finally manage to secure the number of homes we need to be built every year in this country. We are not too far off that point. A number of measures and policies have been introduced. People say they have had enough of different schemes, policies and announcements. We have introduced regulations in respect of Airbnb and we brought in our rent Bill. We need to spend more time focusing on delivering, hitting those targets and doing things to bring about the delivery within existing policies and programmes. We must ensure that if we bring forward significant money for affordability, it is drawn down and spent by local authorities and used to deliver the land for affordable homes.

One contradictory element of the Bill is that it seems to now rely on private builders to deliver social housing. I thought we had learned that lesson and moved away from the provision of social housing exclusively through private developers. What we have tried to in all the policy measures we have brought forward is bring the responsibility back to the State. That is happening. There is room for Part V. It is part of achieving social mix and making sure we get a dividend back for the gain the developer gets from obtaining planning permission and so forth. However, we need this multi-stream development of social housing to protect it into the future should a difficulty with the private sector or other parts of the economy arise that might

put that social housing provision at risk.

A good Government needs to intervene directly in the market and stay involved. That is what we are doing. Rebuilding Ireland, Project Ireland 2040 and all the other plans we put in place maintain our commitment in this regard. I welcome support from any Deputy in this House for the Government's policy when it comes to the mixed development of housing on land, be it private or public, but now is not the time to place extra costs on builders when they already have cost challenges. This Bill would make homes less, rather than more, affordable for the vast majority of people and, again, would outsource social housing to the private sector when everything we have been doing in the past three years involves taking back that responsibility.

**Deputy Darragh O'Brien:** I welcome any opportunity we have to debate the number one issue in the country, namely, the provision of housing. As housing spokesperson for Fianna Fáil, I enter this debate with an open mind. I wish to place on record - we have said it time and again - that we believe the reduction from 20% to 10% under Part V was a regressive step on the part of the previous Government. I am of the view that 10% is too low. We must also look at the consequences of increasing it from 10% to 25%, which seems like a significant jump. The percentage is 30% under strategic development zones. We need to look at how that delivers.

Deputy Ó Broin and the Minister have acknowledged that regardless of the political hats we wear and the parties to which we belong, all of us in this House know that rents are out of control. My biggest concern is that an entire generation of people will never be able to aspire to own their own homes. This is why Fianna Fáil insisted and worked hard in confidence and supply to ensure an affordable housing fund of €310 million was put aside over the next three years - €100 million per year - to establish an affordable housing scheme whereby individuals and couples could purchase their own homes. That is a fundamental part of getting people back in and I want to see that delivered. What we tried to do was use our mandate in a constructive way but also to be critical. I have been very critical of Government policy from time to time but I have also come forward with our alternatives and other suggestions. This is why I welcome the Bill. It does not try to do anything other than put forward another viewpoint and another solution. We need to increase housing delivery.

There is one issue that Deputy Ó Broin might address. I want to follow on from the point made by the Minister about the apparent over-reliance on the private sector. I agree with the Minister about that. I have been very strong and clear in saying that public housing should be built by the State on public land as well. We have enough zoned and serviced State-owned land to deliver approximately 114,000 homes and we should be doing that. I welcome direct build and building on State-owned land. In Deputy Ó Broin's constituency recently, mixed schemes were voted down by councillors. I understand that some Sinn Féin councillors opposed it. There will be local reasons. As someone who represents Dublin Fingal, I have always put on the record the fact that I have supported every social housing scheme that has been proposed in my county since I entered politics in 2004. I have never objected to one nor have any of my colleagues and we will not do so in the future. We need engagement with local communities but, fundamentally, people need homes. Fianna Fáil believes in that. It is a core belief. It comes down to delivery. It involves ramping up supply. The targets in Rebuilding Ireland are for in the region of 50,000 public homes between now and 2021. We need to see an increase in that. If this means some increase in Part V in order to deliver it, that is fine. This year, three quarters of all social homes will be delivered by the private sector. That is an over-reliance on the private sector. We need to make sure the balance struck is correct. I would like to see a focus on

housing delivery on State-owned land. This is why we insisted on an increase in the discretionary cap from €2 million to €6 million in our budget negotiations with the Government in order to give local authorities more autonomy to allow them to build, relieve the Customs House of some of the work it is doing and streamline the process. I would like to see that cap increase to €10 million so we can have local authority estates of up to 40 or 50 homes being built without having to go through the 59 week, four-stage procurement process.

My concern in respect of the Bill relates to unintended consequences. To be honest, I have not made a definitive decision on it. I wanted to hear the debate here this evening. I would like to see the Part V level increase. There was an over-reliance on Part V on the part of previous Governments, including those led by Fianna Fáil. The correct thing to do has been to halt cash in lieu and moving sites but when this is done, it automatically reduces the percentage delivery under Part V through putting in those restrictions. We could have brought forward a Bill saying that we want 40% Part V because it would deliver more homes but we really need to look at what that would mean. We are about delivery, an affordable housing scheme and more public housing. Rents are out of control. Year on year, we are looking at about 11% in Dublin while rents nationally are 30% above the 2008 peak. We need to house people in permanent homes that are secure for them.

**Deputy Pat Casey:** I work with colleagues in this Chamber in a non-political manner to find practical and robust solutions to our housing crisis, which is still a national crisis affecting so many people. The essential solution is so easy as to be frustrating to so many people. We need a massive increase in the supply of houses, particularly publicly-owned housing, and affordable houses for sale. Increasing the supply of housing means that we must increase the number of new housing units constructed. The construction industry in Ireland is engaged in its entirety in the private sector. This fact is not ideological. It is not neoliberal or capitalist; it is just the truth. Quantity surveyors, plant machinery operators, bricklayers, carpenters, electricians and plumbers are engaged with private sector employers, or are self-employed, to build the houses the people need.

I come from a business background but I am a practical politician who believes that the State must control and, crucially, manage housing supply in Ireland. I believe that housing is a right that every citizen should expect the State to supply it as part of the social contract between Government and the citizen. It is my strong conviction that the State must control and supply housing for rent and affordable sale to citizens.

The purpose of this Bill is to provide credible alternative solutions. Fianna Fáil, in a principled and pragmatic effort to secure housing units for public use, introduced the Part V process. This process was controversial at the time, with many elements of the construction industry opposed to it. Originally, the Part V process allowed for up to 20% of new housing units to be provided as public housing. Despite its success, it needed to be reviewed and amended. However, Fine Gael made the mistake of reducing the Part V requirement to 10% from 20%, a 50% reduction, thereby contributing to the worsening of housing supply. Its commitment to ideology resulted in shrinking the public stock of housing coming on stream when houses were most needed. Fine Gael's inability to take the necessary steps to ensure that every family and person in this country could have a home is another failure of public policy.

This Bill provides that Part V be increased to 25%, with a maximum of 35% on SDZ lands. The question is: "What is the sustainable level for the industry?" The Part V process is an integral part of the solution to our housing crisis but it currently provides the incorrect percentage

and significantly more can be achieved through it.

**Deputy Richard Boyd Barrett:** The Minister, Deputy Eoghan Murphy, said that this debate should not be personalised and that it should be about policy. For the people who need solutions, it is intensely personal. For the people in homeless accommodation, on housing lists for more than a decade, in mortgage distress, priced out of the market, in overcrowded conditions, living with three or four generations in one house and living in poor quality housing, it is very personal. There are many people in despair over their personal circumstances.

I am currently dealing with a couple who have eight children and are living in a HAP tenancy in Clonee even though they are from Dún Laoghaire. This is the third HAP-RAS tenancy they have been in. A few four-bedroom houses have come on-stream in Dún Laoghaire but it does not look like they are going to get one of them. Despite pleading with the council, it is not looking good. This family has been through a tough time. This is just one story. I deal with dozens of similar cases every week. This is personal for those people. They need solutions, they need them fast and they need to be real solutions.

The Minister appealed for us not to be ideological and to be practical. I refer him to an advertisement in the property pages relating to the Honeypark site, which was previously in NAMA and given back to Cosgrave. The Government made the decision to give it back to Cosgrave, who it paid to build it out and now Cosgrave is making the money on it. The Government has done the same with other sites. The sale price for these 214 recently completed apartments, which are being sold to international investors, is €95 million, which is €440,000 per three-bedroom apartment and they are not that big. On another property page, there is an advertisement regarding the sale of more than 1,600 apartments, many of them in Honeypark and almost all of them on sites that were in public ownership, namely, NAMA, and given back to developers, which are being sold to international investment funds for €610 million, which is just under €400,000 per unit. Many of the apartments are three-bedroom, which the investment funds are renting to people in Dún Laoghaire at between €2,400 and €2,800 per month. A number of them are being rented to Dún Laoghaire-Rathdown County Council. This is a joke.

Further up the road, there is another site, Cherrywood, which was also in the hands of NAMA but was returned to Hines. The company has obtained a lot of planning permissions and thus increased the value of the site. It has also flipped some of the site to Cairn Homes. Regarding the 10% of units the company is providing for social housing, it is asking for in excess of €400,000 for some of them. When we had this land in State ownership, via NAMA, the prices were much lower. It is a heist. We give the developers land free of charge and they sell, rent or lease it back to us for a fortune. This is madness.

Who can afford rent of between €2,400 and €2,800 per month? Who can afford to buy the units at €440,000? Virtually nobody, particularly not the people who need council housing. The local authorities also cannot afford to buy them at that price for social housing and people earning up to €80,000 per annum cannot afford to buy them. These units are being bought by investors to rent at extortionate prices, which causes one to think. The Government says that we need these people in the property market to help us. I think we want these people running out of the country screaming because we impose such heavy taxes on them and put such severe rent controls in place they are forced to leave, because only then will house prices drop. We do not need them here. They are driving prices through the roof. They are exploiting the crisis. Because they know the people they are going to rent to cannot afford to buy at this level they can charge these rents. This is the vicious circle we are in.

I commend Deputy Ó Bróin for bringing forth this Bill. We similarly proposed this in the motion that was defeated by the Government. Fianna Fáil did not vote for it, for which I criticised it heavily at the time, because it liked some of what was proposed but not all of it.

**Deputy Darragh O'Brien:** The Deputy voted against the Fianna Fáil motion.

**Deputy Richard Boyd Barrett:** Tit-for-tat does not work on this issue.

**Deputy Darragh O'Brien:** I know that.

**Deputy Richard Boyd Barrett:** There is a problem. The Minister has a point. The motion we tabled during the summer proposed a minimum of 20% social and affordable housing and a minimum 30% on SDZs. There is a problem if that is all we do. I regret that what Deputy Ó Bróin has proposed is not enough. We need 100,000 social houses on public land, for which we have sites available, over the next five years to even begin to get near solving the problem, which equates to 20,000 houses per year. Anything less and we are in serious trouble. On Part V, there is a problem as well, even with this proposal if done on its own. The problem is that if we buy the units back at these prices - and the State must, under the Part V scheme, lease or buy them - it will cost the State a fortune. We should therefore not buy the completed units. This was the point Mel Reynolds made, and I put it to all in the House, particularly the Minister. He said we should take the 10%, 20%, 25%, 30% or whatever the percentage is - and I think 25% and 30% are good percentages - of the land now and upfront, not the completed units whenever these speculators decide to build. We do not know when they will build. In Cherrywood, for example, one of the biggest planned residential developments in the State, not a single unit has been built. The developers got it about six or seven years ago from NAMA. We should therefore take our chunk now, take a chunk near the entrance to Cherrywood so we avoid any of the servicing problems and so on and build our bit now. This would mean we could build it at a much cheaper price. The State can build on the land at about €200,000, perhaps €250,000 - or less, between €170,000 and €220,000 - per unit. If the State buys the land, it will be relatively cheap; if the Government waits for the developers to give the State the completed units, the State will be waiting forever and will pay a fortune when it arrives.

This is what we should do on all these sites, whether strategic development zones or whatever else. We should take the land now so it becomes public land and build at the price at which we can build, which will be cheaper and then we will deliver the units more quickly. This is a very serious, practical proposal. Whatever percentage is agreed on this, this proposal would make a significant difference. It would accelerate things and collapse the dichotomy that Deputy Darragh O'Brien and the Minister proposed when they spoke of the impact on price and so on because it would not be-----

**Deputy Darragh O'Brien:** We need to look at it.

**Deputy Richard Boyd Barrett:** I refer to Deputy Darragh O'Brien's criticism that this is reliance on the private sector. We would not be relying on the private sector because we would be taking the land and it would become public sector land.

**Deputy Darragh O'Brien:** Exactly. I do not disagree with the Deputy-----

**Deputy Richard Boyd Barrett:** Great. That is excellent.

**Deputy Darragh O'Brien:** -----so I do not know what the Deputy is talking about.



**Deputy Richard Boyd Barrett:** Fianna Fáil is going to champion this policy.

**Deputy Darragh O'Brien:** Then why is the Deputy-----

**Deputy Richard Boyd Barrett:** I am running out of time now.

**Deputy Darragh O'Brien:** The Deputy is not making much sense.

**Deputy Richard Boyd Barrett:** This is a serious proposal and I would like to hear a response from the Minister on it. It would make a big difference. If the Minister does not believe so, I would like him to explain how we will get these people on these strategic development zones.

Lastly, in ten seconds I want to say this on social mix. The Minister's comments are a bit rich. On public sites he wants to sell off public land to the private sector because we must have social mix, but on the private sites we can only have 10% public, so the social mix is different because it is a private site. This is not a serious notion of private mix; it just covers for the fact that we are allowing the private sector to dictate housing.

**An Ceann Comhairle:** We have just ten minutes remaining, so I propose five minutes for the Minister and five minutes for Deputy Ó Broin. The Minister does not have to take the full five minutes.

**Minister for Housing, Planning and Local Government (Deputy Eoghan Murphy):** I will try to be brief in fairness to the Deputy and to allow him to come back in on the Bill he has tabled.

To respond to Deputy Boyd Barrett's comments in the round, we talked at the Housing Agency conference about sustainability, specifically sustainability in housing delivery. "Sustainable" is a contested space, a political space. It has many different meanings: economic sustainability, social sustainability, etc. It is not a neutral political term. The Deputy and I have fundamentally different ideas of a sustainable housing market. He wants a single-source solution involving one source of finance, one source of delivery. I think we need multiple streams to protect us from shocks we have not even considered yet that could come in the future. In the past we relied on a single stream of delivery for social housing and it did not work. We can all agree that Part V did not work under previous Governments because the Government came to rely too much on it for the delivery of social housing. That delivery did not happen because developers bought out of their responsibility-----

**Deputy Richard Boyd Barrett:** I know.

**Deputy Eoghan Murphy:** We do not want to go back to that.

**Deputy Richard Boyd Barrett:** That is why I am saying we should take the land.

**Deputy Eoghan Murphy:** That is the serious risk inherent in this Bill. Part V did not work. I recognise and welcome-----

**Deputy Pat Casey:** It was not Part V on its own-----

**Deputy Eoghan Murphy:** -----that Fianna Fáil has now acknowledged and accepted the positive changes we have made to Part V in recent years.

**Deputy Darragh O'Brien:** Not to the percentage.

**Deputy Eoghan Murphy:** It is important we recognise that local authorities often acquire additional homes in a new development beyond the 10% stipulated under the Part V obligation. Home aspiration is incredibly important, but we must also recognise that in the future more people in this country will rent. It will become more of the mix of housing, and we need it to be more mixed. In doing so, we must provide greater protections for renters: longer-term leases, cost rental, stronger tenant laws and a stronger RTB to protect not only tenants' rights but also landlords' rights. All these things are needed as we move to a mature housing sector. It is also important we ask ourselves what is the right number of social housing homes to be built each year at present as we ramp up supply. Is it one in four, one in five? That is where we are. I accept that when we get to an output of 35,000 homes a year, which we will get to in two or three years' time, it might be time to revisit this, when the Land Development Agency has been in operation for a number of years and when other things might be happening in the wider economy. We must always revisit our policies to ensure they are working and are current, and that unintended consequences that were not thought of at the time have not developed in the meantime.

While there are some potential risks in the one-stage cap, it is worthy of consideration, and Deputy Darragh O'Brien knows from our engagement at the time of the budget that we are considering it, provided we can do it in line with the public spending code. That work continues and will come to a conclusion very soon.

I would urge caution when it comes to progressing a Bill such as this. First, we do not want to increase the cost of building houses at this time. We have done a number of things to try to decrease the cost of building and now we want to get those homes built. We do not want to build in further uncertainty or further costs for builders up and down the country at this crucial time. We do not want to make homes more unaffordable for the vast majority of people. As it stands, 80,000 people qualify for social housing; therefore, there are more people who do not qualify for social housing. We do not want to make their aspirations for home ownership or a secure place to live less tangible, less achievable, because of the unintended consequences of the provisions in this Bill. What we really do not want to do is to fall back once again on the private sector for the provision of social housing-----

**Deputy Richard Boyd Barrett:** I am not proposing that.

**Deputy Eoghan Murphy:** -----and come to rely on it too much by bringing in the provisions in this Bill. Let us not go backwards. We have multiple delivery streams for social housing. This year more than 4,000 new social housing homes will be built but the stock of social housing will increase by 8,000 homes. Next year the stock will increase by 10,000 homes. These are positive developments for people in emergency accommodation, on the housing list or in overcrowded accommodation to get a home, to get their own front door and their own key. In tandem with this we now have local authorities bringing forward public land for the development of affordable housing under the affordability scheme that was agreed during the budget negotiations with Fianna Fáil. We also now have the Land Development Agency, which is not a response to the crisis as it should always have been there, but which will help to bring forward public land in high-demand areas and a social mix. It is not, as Deputy Boyd Barrett said, selling off lands to developers. We are the developer. It is bringing forward public land for homes for the general public. We should support that principle.

**Deputy Eoin Ó Broin:** I will respond briefly to each of the Deputies. To respond to Deputy Darragh O'Brien first, I have always thought that if Part V is to work well, it should be additional to the mainstream delivery of local authority and approved housing body-owned properties.

**Deputy Darragh O'Brien:** Yes, and it was before.

**Deputy Eoin Ó Broin:** The intention of this Bill, therefore, is not to replace that delivery but to supplement it and give a greater quantum above and beyond the existing targets. I think on this we agree.

I also wish to address the issue of rising costs. One of the big costs for many developers at present is finance, and one of the problems developers have with finance is the level of risk involved. If a developer has banked 20%, for example, of the units as Part V, that reduces the risk, reduces the cost of finance and could bring down the cost of delivering the units. Developers will have to make a choice as to the overall prices of the units. In many of the private developments I am looking at, having 10% social, for example, and now 10% affordable, if that is what we could move towards, would ensure that at least 10% of an overall development would be guaranteed genuinely affordable for the working families many of us represent. I think we are on the same page in respect of the supplementary nature of these additional units. The arguments about increasing costs do not stand.

I agree with Deputy Boyd Barrett that this is not a stand-alone policy. He and I have supported many motions tabled by each other's parties to increase the overall quantum of real social housing. The only thing I will say to him is that Part V units are bought at a discount. The Department has given us the figures for 2017 and the discounts, broadly speaking, are very healthy, so the units are not being bought at market prices. There are one or two exceptional projects that are outliers, but the general thrust of Part V is still significant discounts because the units are not being bought at the open market value of the land. I will share those figures with the Deputy if he is interested.

**Deputy Richard Boyd Barrett:** The problem is that it does not work in Dún Laoghaire.

**Deputy Eoin Ó Broin:** That is one of the areas where there are outliers. I will share with the Deputy the figures the Department has given us.

To respond to the Minister, I have always accepted that the State is spending more than it was spending before. My criticism is that it is not spending enough to meet the need that is there. The Minister tells us, for example, that 120,000 social homes will be delivered over the next ten years. It will be slightly less than that because the Minister and I have different definitions of real social housing. If I did, however, accept that definition of 120,000, I note we have 130,000 households in need of social housing now and more are going to come onto the list every year. Even on the basis of the Minister's figures, therefore, he is coming nowhere near meeting need.

On affordability, there are times when the Minister says things that make me concerned that his understanding is different from the rest of us. Affordable housing should not be subsidised. The whole point of affordable housing is providing homes to buy or rent where people pay the economic cost of the delivery and innovative ways are found of cutting out additional cost without having to subsidise. Cost-rental is not subsidised. If the Ó Cualann Cohousing Alliance houses could never be sold into the housing sector, they would not be subsidised. That is an important point.

I am sorry the Minister found my intervention condescending. I do not have some magical powers to see into his head, it is that his office briefed the media after the Cabinet met on Tuesday. That briefing explained the reasons the Minister would not support this Bill and I am just relying on his own media presentation of that.

**Deputy Eoghan Murphy:** It was not my own presentation.

**Deputy Eoin Ó Broin:** I apologise if that upset him. I also have to respond to the accusation that I was trying to bully the Minister. First, presenting a Bill and making a reasoned argument for it, even if the Minister disagrees, is not bullying.

**Deputy Eoghan Murphy:** Deputy Ó Broin knows what I am talking about.

**Deputy Eoin Ó Broin:** I can be accused of many things, including being boring, irritating, a pain in the neck and getting things wrong. I do not believe that anyone who knows me or has witnessed my conduct in this Chamber and in committee would genuinely say that I am a bully. I might do things that really piss off the Minister - apologies for the language - but that is my political job as an Opposition spokesperson to hold him to account. Let us avoid that kind of personalisation and let us stick the issue. That is what I did, with-----

**Deputy Eoghan Murphy:** Deputy Ó Broin knows what I am talking about with personal attacks. He feigns ignorance. It is beneath him.

**Deputy Eoin Ó Broin:** -----the greatest of respect. Every single attack I have made in respect of the Minister has been on what I believe to be his track record. We can, however, deal with that as we go. What nobody can accuse me of is being a bully. Let me also correct the Minister. The Dáil Committee on Housing and Homelessness made a specific proposal. It suggested the building of 10,000 real social housing units, owned by approved housing bodies and local authorities, every year for five years. That is not what is in the Minister's plan. That is not what is there and 8,000 real social houses will not be delivered this year because 2,000 of those will be leased from the private sector for a period.

That is fine. It is the policy of the Minister but it is not what the Dáil Committee on Housing and Homelessness recommended unanimously. Similarly, the figure of 10,000 will not be reached next year because I assume there will be approximately 2,000 leases. While I welcome each of those houses, that is nowhere close to what is required. The interesting point in the Minister's presentation is he has still not given us any greater clarity on genuine targets for delivering affordable rental or affordable purchase. The schemes have been renamed but not the targets. I appeal again to Fianna Fáil. We are open to compromise and have from now until the vote next Thursday to work on that. I am more than happy to sit down and agree figures if that is what can be done to progress a reasonable and sensible proposal for legislative change.

Question put.

**Deputy Eoin Ó Broin:** Vótáil.

**An Ceann Comhairle:** In accordance with Standing Order 70(2), the division is postponed until the weekly division time on Thursday, 29 November 2018.

## Saincheisteanna Tráthúla - Topical Issue Debate

### School Accommodation

**Deputy John Brady:** I am disappointed that the Minister for Education and Skills is not present to deal with this. I have been talking to him in recent weeks and he stated he would be here in person to respond to this serious question and challenge facing North Wicklow Educate Together school. The Minister may or-----

**An Ceann Comhairle:** Before Deputy Brady goes any further, the procedure in place is for the Minister to whom the question is posed to engage with the Deputy posing the question and to indicate whether he will be available. If the Minister is not available then it is open to the Deputy posing the question to defer the taking of it until a time when the Minister is available.

**Deputy Eoghan Murphy:** On a point of order-----

**An Ceann Comhairle:** Yes.

**Deputy Eoghan Murphy:** Today's schedule of business has been changing and was not as it was originally understood to be.

**An Ceann Comhairle:** Yes.

**Deputy Eoghan Murphy:** That creates difficulties for Ministers who have tight schedules.

**An Ceann Comhairle:** That is fine.

**Deputy John Brady:** I appreciate that-----

**An Ceann Comhairle:** We have to be reasonable to everyone.

**Deputy John Brady:** I understand.

I will press on with it in the hope that the Minister here this evening might be able to give some answers. In 2013, patronage was awarded to Educate Together for a 1,000-pupil school in Bray. North Wicklow Educate Together school subsequently opened in September 2016 in temporary accommodation on Putland Road in Bray. The school has 180 pupils and 60 of them are due to sit their junior certificate examination next year. The school is also set to grow to 300 pupils next September.

The school is on the school building programme and a site on Novara Road in Bray has been identified. The Department of Education and Skills and the former chief executive officer of the Kildare and Wicklow Education and Training Board, KWETB, Mr. Seán Ashe, struck a deal for a shared campus with the Bray Institute of Further Education, BIFE. There are issues with that site, including how it was selected. The failure to consult with BIFE and other stakeholders has created problems. There needs to be an investigation as to how that decision came about.

That is not my main point this evening. There are a number of issues. There is a pending crisis for the teachers and the pupils and the Department of Education and Skills is walking straight into this crisis. There is also a High Court settlement, of which the Minister may be aware, between the owner of the temporary premises where North Wicklow Educate Together

school is currently located and the KWETB dating from 2015. Vacant possession of that premises on 30 April 2019 was included in the settlement. The site is also on sale on the open market.

Therefore, as of 1 May 2019, not only will the 180 pupils and teachers have no school but the 60 pupils due to sit their junior certificate examination will have nowhere to do so. The school needs answers as to what is going to happen but it is hitting a brick wall, as am I. It is getting no answers from the Department or the Minister for Education and Skills, Deputy McHugh, as to what will happen on 30 April 2019 and where it is going to go. Next September, the school will grow to 300 pupils. They also have no idea of where they will be located. The selection of the proposed new permanent school on Novara Road was announced in June 2017 but there has been no progress whatsoever. It is possible that the board of the KWETB will vote against that proposal next Tuesday.

One way or another, temporary accommodation will be needed until a new school building is built for North Wicklow Educate Together school. Ideally, this temporary accommodation should be on the same site as where the school will ultimately be built. The big question hangs over us all as to where that site ultimately will be. The school needs answers and plans need to be put in place. If, for example, the temporary accommodation is to consist of prefabs, then planning permission may well be required.

**An Ceann Comhairle:** The Deputy's time is up.

**Deputy John Brady:** That may take up to six months.

**An Ceann Comhairle:** We will be coming back to the Deputy.

**Deputy John Brady:** I thought I might be given a little bit of latitude because there was a little-----

**An Ceann Comhairle:** Well, yes-----

**Deputy John Brady:** I just need 20 seconds-----

**An Ceann Comhairle:** Go on.

**Deputy John Brady:** I have been in communication with the previous Minister over the past two years. We have hit brick walls and there has been stonewalling. There have been no answers and no solutions. I have been in touch with the current Minister, Deputy McHugh, who seems to be taking it more seriously. There is still no certainty and no answers. There is a pending crisis for this school and we need solutions, answers and clarity. The school, the teachers and the parents need to know where they will be as of 30 April next year. That is the short-term measure that needs to be put in place. There are also long-term plans that need to be put in place as well.

**An Ceann Comhairle:** Before I call the Minister, I do not want to be tiresome but Standing Orders dictate the time provided for questions and answers. We should all try on occasion to adhere to them.

**Minister for Housing, Planning and Local Government (Deputy Eoghan Murphy):** I do not envy your position in the Chamber on occasions such as this when Members have had a long day, but I absolutely appreciate that Deputy Brady is very concerned about this matter. I thank him for accommodating me in giving a reply on behalf of the Minister for Education and

Skills, Deputy McHugh, who wanted to be here but could not because of changes to the schedule of business during the day.

I will use the opportunity to clarify the current position on the accommodation needs of North Wicklow Educate Together post-primary school. As the Deputy is aware, the school was established in 2016. As an interim measure and with the assistance of Kildare and Wicklow Education and Training Board, ETB, the school was housed in a property leased by the ETB on Putland Road in Bray. The school opened with an enrolment of 36 pupils and the numbers are growing incrementally, with an enrolment of 176 pupils in 2018. A major capital project for the provision of permanent accommodation for North Wicklow Educate Together post-primary school to cater for a long-term projected enrolment of 1,000 pupils is being addressed through the Department's six-year construction programme.

The Department's capital programme continues to address the challenge posed by a rapidly increasing school population, including in areas such as County Wicklow. It is the Department's intention to construct a new school for 1,000 pupils for North Wicklow Educate Together post-primary school on the site of Bray Institute of Further Education, BIFE. There are no other sites available within Bray. It is also proposed to provide enhanced accommodation for Bray Institute of Further Education as part of this development. The ETB had previously confirmed to the Department that it was supportive of this campus development, but it has since indicated to it that it needs to further consider the matter of the proposed development on the BIFE site. The Department is anxious to initiate the architectural planning process to facilitate the development and continuing to engage with the ETB in that regard.

The Department is aware that the existing lease on the Putland Road building is due to expire in 2019. As the Deputy knows, the terms of the lease require the school to vacate the property by 30 April 2019. The Department is exploring all options, with a view to finding a new temporary home for the school, and liaising with the patron body of Educate Together and Kildare and Wicklow ETB in that regard. The Putland Road property has been advertised for sale publicly. In the context of the proposed sale of the property, the Department has indicated to the vendor that it would be interested in exploring the potential to license or lease the property from a potential purchaser, should the purchaser be amenable to such an arrangement.

In the event that the school has to vacate the Putland Road property in advance of the State examinations in 2019, the Department requested the school authority to explore options for hosting the examinations elsewhere. In excess of 35 students are due to sit the junior certificate examinations in 2019. The school authority has advised the Department that it has identified some options should this be necessary and is interrogating the options further. They include using local schools, community halls and, potentially, hotels. The Department will continue to engage with the ETB and the patron of North Wicklow Educate Together on the school's accommodation needs.

I thank the Deputy for giving me an opportunity on behalf of the Minister to outline the position to the House. The Department is seeking to ensure both the interim and long-term accommodation needs of North Wicklow Educate Together post-primary school will be provided for.

**Deputy John Brady:** Unfortunately, that does not provide the answers, certainty or reassurance for the teachers, pupils and parents at North Wicklow Educate Together post-primary school. They arrived at Leinster House today to hand in a letter and hoped to meet the Minister

for Education and Skills. Instead they met somebody from his office and handed in the letter, but the principal has asked to meet the Minister. I hope that meeting will be arranged.

The reply from the Minister does not contain answers and provides no certainty whatsoever. There is a crisis pending, but all I have heard are aspirations to engage with the vendors. There is a High Court agreement and must be vacant possession of the school premises on 30 April next year. There is a simple solution which I have suggested to the Minister as a logical step. There are problems with the site identified on Novara Road by the Department and the previous chief executive officer of Kildare and Wicklow Education and Training Board. The solution is to purchase the site where the school is currently temporarily based. The building would need to be completely demolished and rebuilt as a purpose-built school, but there is ample space to accommodate the school, whether with prefabs or whatever else, on a temporary basis while the building is constructed. It would be logical to engage with the vendor, with a view to purchasing the site. It would be a win-win for everyone.

Is it acceptable or suitable for a Minister to respond by suggesting alternative arrangements will be put in place for junior certificate students to sit examinations in hotels or community halls? It is a serious abdication of his responsibility. The Department and the Minister are sleepwalking us into a crisis. We need clarity, rather than aspirations. Unfortunately, the answer did not provide it.

**Deputy Eoghan Murphy:** I thank the Deputy for his response. The position is uncertain for pupils, parents and teachers, but the Minister for Education and Skills is doing everything he can within his powers to provide as much certainty as he can for the pupils, parents and teachers in the uncertain environment they are experiencing. It is why he and his Department are engaging with the education and training board on the new site and what can be done. It is why they are seeking to lease the existing property, if possible, from the new owner if an arrangement is entered into in the course of the next year. It is why they must explore options for students who will sit examinations next year. They must ensure every contingency plan is in place in order that the students will be able to sit their examinations when they have to and if other solutions cannot be found in the meantime. The Department and the Minister are doing everything they can to explore the different options and being incredibly proactive.

**Deputy John Brady:** It is the principal who is being proactive.

**Deputy Eoghan Murphy:** They recognise the fears of the pupils, parents and teachers because of the uncertainty and are working to remove it and provide greater certainty where they can. The matter will be resolved because it must be. The Minister is working to achieve that outcome.

The Dáil adjourned at 9 p.m. until 2 p.m. on Tuesday, 27 November 2018.