The Joint Committee met at 10 a.m.

MEMBERS PRESENT:

| Deputy Pat Deering,* | Senator Thomas Byrne, |
| Deputy Timmy Dooley, | Senator Aideen Hayden, |
| Deputy Martin Heydon,* | Senator Jillian van Turnhout,* |
| Deputy Michael McGrath, | |
| Deputy Sandra McLellan,* | |
| Deputy Kieran O’Donnell, | |
| Deputy Arthur Spring, | |
| Deputy Liam Twomey, | |

* In the absence of Deputies Michael Creed, Alan Farrell and Mary Lou McDonald, and Senator Sean D. Barrett, respectively.

In attendance: Senator Fidelma Healy Eames.

DEPUTY CIARÁN LYNCH IN THE CHAIR.
Pre-Budget Submissions: Discussion (Resumed)

Vice Chairman: This is the fourth session of our pre-budget submissions. I welcome Professor Frank Murray from the Royal College of Physicians of Ireland; Ms Cliona Loughnane, policy and research manager of the Irish Heart Foundation; Ms Kathleen O’Meara, head of advocacy and communications at the Irish Cancer Society; Mr. Gerry Martin, CEO, of the Alzheimer Society of Ireland, Dr. Shari McDaid, director of Mental Health Reform; and Ms Barbara O’Connell, CEO of Acquired Brain Injury Ireland.

The format of the meeting will be a roundtable discussion on health based on the pre-budget submissions received from the organisations before us. The witnesses will make their opening statements in the following order: the Royal College of Physicians of Ireland, the Irish Heart Foundation, the Irish Cancer Society, the Alzheimer’s Society of Ireland, Mental Health Reform and Acquired Brain Injury Ireland. A question and answer session with members will then ensue. Given the time constraints involved, and to ensure we have a constructive debate, I must insist all opening statements are kept to a maximum of three minutes. Witnesses have already been advised by the committee secretariat that I will stop them if they go over their time limit. Each member is entitled to ask questions only once and the relevant witnesses can respond. I remind members, witnesses and those in the public Gallery that all mobile phones must be switched off.

By virtue of section 17(2)(l) of the Defamation Act 2009, they are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to do so, they will be entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. Members are reminded of the long-standing ruling of the Chair to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable.

I invite Professor Murray to make his opening statement on the pre-budget submission.

Professor Frank Murray: I thank the committee for this opportunity to present on behalf of the Royal College of Physicians of Ireland, RCPI. RCPI is specifically concerned with protecting and improving health in Ireland, and has policy groups in three key areas relevant to today’s discussion, namely, alcohol, tobacco and obesity.

Every month in Ireland 88 deaths, approximately three per day, are directly attributable to alcohol. Alcohol-related harm costs Ireland an estimated €3.7 billion a year. A recent WHO report found that Ireland is the third highest binge-drinking nation in the world, and on average we consume almost 12 litres of alcohol per year, which is well in excess of the Government’s Healthy Ireland target of 9.2 litres. A recent Health Research Board, HRB, survey found that two-thirds of males and half of females started drinking before the legal age of 18 years of age and 75% of people who consume alcohol do so in a harmful way. Meanwhile, the death rate from liver cirrhosis has doubled in Ireland since the 1970’s, in parallel with our increased alcohol intake.
Despite good progress, the toll of tobacco-related deaths is still unacceptably high in Ireland. One out of every two people who smoke long term will die from a smoking-related disease. This accounts each year for at least 5,200 deaths, representing approximately 19% of deaths in Ireland. The cost of treating an in-patient for a smoking-related disease in Ireland amounts to €7,700, while Ireland spends on average €500 million per year on smoking-related diseases.

Obesity is now an epidemic in Ireland. One in four Irish children and two out of three Irish adults are overweight or obese. The estimated cost of this to the Irish State is €1.13 billion per year. If the current trends of obesity continue, it is estimated that the direct health care costs alone will reach €5.4 billion by 2030. RCPI is therefore fully supportive of the Irish Heart Foundation’s call for a tax on sugar-sweetened drinks.

These stark statistics reflect the daily alarming reality observed by physicians and other health professionals. We are increasingly concerned at the alarming increase in human suffering, ill health and death, with dreadful consequences for patients and their families as a result of alcohol, tobacco and sugar. With this in mind, RCPI has proposed a number of evidenced-based fiscal solutions to the Government. We propose that Ireland turn off the tap of cheap alcohol to some of the most vulnerable individuals in Ireland. We propose the Government introduce minimum unit pricing, MUP, as proposed in the public health (alcohol) Bill, as a matter of the highest priority. The purpose of this is to target the problems caused by cheap strong alcohol, which is largely consumed by problem drinkers and young adults and bought from the off-trade, especially supermarkets. This initiative has little or no impact on the majority of alcoholic products sold in bars or restaurants and does not affect the price paid for alcohol by the retailer. The effect of such price changes are immediate and substantial, and of proven benefit. In parts of Canada where MUP has been introduced, a 10% increase in the MUP of alcohol reduced consumption by 8.4%, and led to a reduction of 32% in alcohol related deaths within one year.

Vice Chairman: I thank Professor Murray but I am afraid I will have to cut him short. We will stick with the three-minute rule. I call Ms Loughnane.

Ms Cliona Loughnane: Thank you, Vice Chairman, I will be discussing measures to reduce obesity. The Irish Heart Foundation also developed a submission on tobacco with the Irish Cancer Society and fully endorses the points Ms O’Meara will make to the committee today.

Members of the committee are well aware of Ireland’s obesity rates. Three per cent of preschool children and 7% of children in first to fifth classes of primary school are obese. By adulthood, almost a quarter of Irish people are obese. The Irish Heart Foundation is proposing a package of measures to make healthy food more affordable and to stop calorific, sugary sweetened drinks, SSDs, being a normal part of many children’s diets. We are calling for a tax on SSDs to increase their price by 20%. We are seeking part of the resulting revenue for a fruit and vegetable subsidy and the establishment of a children’s future health fund.

Research for the Department of Health shows that fizzy drinks are the most consumed beverage in Ireland, at 83 litres per capita each year. That is three times higher than consumption of bottled water, and SSD consumption is highest among young people. Sugary drinks play a unique role in obesity. They have no nutritional value and do not provide a feeling of fullness. As a result, people usually consume SSDs in addition to the food they eat.

To achieve improvements in health, the level of the SSD tax must be high enough to cause people to cut down. A health impact assessment for the Department of Health by the Institute of Public Health and Oxford University Institute of Public Health recommended the introduc-
tion of an SSD tax. They found the effect of the tax would be among the highest consumers and also among young people. People are understandably weary of taxation in this country, yet our recent national poll showed a majority of the public are in favour of the tax. That is a clear signal that people want stronger measures to be taken on obesity. Almost 90% of those polled also agreed that sugary drinks contribute to obesity among children and that they are drinking too much of such drinks.

The industry claims that taxation will not work, but in 1992 the removal of a tax on soft drinks in Ireland drove consumption up, suggesting the products are price sensitive. The industry also claims the tax would cost jobs. However, reduced spending on sugary drinks would be redistributed in the economy to other products, and research in the Irish market has also found the employment effects of a such a tax combined with the fruit and vegetable subsidy we propose would be neutral at worst and perhaps positive, because the fruit and vegetable sector is more labour intensive. We recognise that people find it difficult to buy healthy foods. Our second recommendation therefore seeks a healthy food subsidy to reduce any regressive impact of a tax on sugary drinks. Research finds that a tax and subsidy combination would be broadly neutral with respect to poverty in Ireland. The evidence from around the world supports a multi-pronged approach for children and adolescents where we tax less healthy, energy-dense foods and subsidise healthier foods.

This is budget season and for that reason we are focusing on fiscal measures. However, we recognise that there are many other things which must be done to reduce obesity. That is why we are calling for the establishment of a children’s future health fund to provide for complementary measures to the fiscal measures outlined such as improving food education, cooking and gardening skills, as well as providing healthier meals to schoolchildren.

**Vice Chairman:** I thank Ms Loughnane and call Ms O’Meara.

**Ms Kathleen O’Meara:** Thank you, Vice Chairman. I am delighted to be present to make a pre-budget submission on behalf of the Irish Cancer Society, which as Ms Loughnane said, we published jointly with the Irish Heart Foundation. Our vision and ambition is nothing less than a future without cancer. That is why we fight tobacco with everything we have got. Smoking is the single biggest preventable cause of cancer in Ireland. Almost one in five of all deaths is attributable to smoking. The Government has estimated that tobacco costs the State between €1 billion and €2 billion every year. That is between 6% and 15% of the entire health budget. In fact, another study puts the economic cost to Ireland of premature mortality caused by smoking at €3.5 billion per year.

High levels of tobacco taxation in Ireland have proven to be an extremely successful health policy. Successive taxation increases have brought smoking rates down to their lowest level, from 31% in 1998 to 21.5% in 2013, yet there is still reluctance on the part of successive Governments to raise the tax on cigarettes and other tobacco products by more than a nominal amount. One of our proposals outlined in the pre-budget submission would increase the amount of taxation coming into the Exchequer every year by up to €77 million. Another addresses the excessive amount of profit tobacco companies make every year. All of that is against the backdrop of the Government’s – and therefore the Department of Finance’s – stated aim of a tobacco-free Ireland by 2025.

We have six recommendations in the pre-budget submission but I will focus on two areas today, namely, taxation and smuggling. The current tax structure on cigarettes is designed to benefit big tobacco manufacturers rather than the State. It is inadvertently doing that. That is
because the current tax structure on cigarettes is made up of two categories of excise tax: one specific tax, which is levied on the volume of cigarettes sold, and an *ad valorem* tax, which is calculated on the price of a packet of cigarettes. We propose an increase in the specific tax rate to the maximum allowable under EU law, which would be 76.5%. That would have the effect of squeezing tobacco manufacturers, increasing the duty received by the Exchequer and ending the practice which has emerged in recent years where smokers can down-trade their cigarette brands rather than quit because cigarette companies are introducing lower price cigarette brands to manipulate the specific versus the *ad valorem* tax rate.

We also want the Government to end the practice of *ad hoc* hikes in tobacco tax and commit to an annual price escalator of at least 5% above inflation. That would mean an increase of approximately 50 cent in budget 2015 and would yield €77 million per annum for the Department of Finance.

I am running out of time so I wish to speak briefly on smuggling. First, I wish to nail a myth. The smuggling rate of tobacco in Ireland is falling.

Vice Chairman: I am afraid Ms O’Meara has run out of time. I must call Mr. Gerry Martin.

Ms Kathleen O’Meara: Thank you, Vice Chairman.

Mr. Gerry Martin: Thank you, Vice Chairman and members of the committee, for the opportunity to present to the committee. Briefly, by way of background, the Alzheimer Society of Ireland is a nationwide, grassroots-led, volunteer-led organisation. We represent the voice of the now 48,000 people living with dementia in Ireland, 63% of whom continue to live at home. We are also the leading provider of dementia services in Ireland.

The theme of our budget submission, which I hope members have had a chance to read, is supporting care in the community, in particular making living at home the first option. Our call within the submission is a simple one: that we invest in existing Government and health policy, namely, to maintain people living at home for as long as possible. We know at first hand that the policy is the right one for people with dementia. It is the right policy for their families and carers and it is also economically the right policy in terms of the overall cost of care. Equally, we know that it will not and cannot happen without supports. People need to be supported at home and in the community. We call, therefore, for further resources for home care, day care, respite and further support for the carers who carry the lion’s share of the workload. Equally, we call for increased resources in the community such as community nursing and primary care and important community-based services such as occupational therapy and language therapy, for example. We know it is the right policy. We know when we invest we can get better outcomes. Equally, without it we also know what we get, namely, the worst possible outcome which is premature entry into expensive long-term care situations, which is wrong for, and perhaps even detrimental to, a person with dementia. It is certainly wrong for their families and ultimately a poorer outcome economically for the State.

Specifically, we call within our submission for more home-based and community-based supports. We ask that those supports would be made available on an equal access basis, unlike the current supports which tend to be something of a geographical lottery. Supports and resources must be ring-fenced and sustainable. I doubt there is anyone at this meeting who has not come in contact with dementia in their wider family. Unfortunately, I cannot promise that in the next 20 years, not one family will not be affected by dementia. We will not leverage the economic benefits unless we invest in a sustainable and ring-fenced way. There is a growing
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awareness of dementia internationally. Members will be aware that it was on the agenda of the recent G8 summit. That has led for the first time to the development of a world dementia forum. In Ireland, we are awaiting anxiously the publication of a national dementia strategy which we believe will bring about systemic change for all people living with dementia.

**Dr. Shari McDaid:** Mental Health Reform, the national coalition of organisations which promotes improvement to mental health services, welcomes this opportunity to speak to the finance committee about its pre-budget submission.

There is a need for continued investment in the development of community-based mental health services. There is a need for the counselling and primary care service to be invested in, so the number of peoples who can avail of counselling services through their general practitioner is increased. There is a need that people with severe and long-term mental health difficulties can avail of a medical card.

Up to the end of last year, there has been no additional funding for mental health services. Instead, we have just had a designated amount of re-allocation of funding in mental health services to foster the development of health and social care staff. That has been effective in bringing about the real configuration of services towards having more psychologists, occupational therapists and social workers available in community-based mental health services. We are very far off still from the number of staff recommended in the Government’s policy with a quarter down on levels recommended in A Vision for Change. At the end of last year, there was less than half the staff required to provide child and adolescent mental health services. The services, accordingly, cannot provide the holistic range of supports needed that would help people recover. This means we have not been able to put in place the crisis intervention supports across the country that were set out in the policy. We do not have home treatment as the norm of services, crisis houses or effective liaison between primary care and mental health services.

Last year, the HSE, Health Service Executive, implemented a free counselling service of up to eight sessions for medical cardholders who were referred by their GP. This was a progressive step that we welcomed. We estimate, however, there are probably 690,000 people who experience anxiety and depression during the course of the year. This is based on a comparative analysis of the UK’s figures. In the first six months of this year, we had 5,000 referrals. One can see there is a significant gap between the availability of this service and the level of need. Only 0.5% of the total mental health budget is going to counselling in primary care. In the UK, it is 5%.

There is a need to ensure that people with long-term and severe mental health difficulties have the opportunity to have a medical card. This is a low-cost, cost-effective option and a way of providing security so people can take up work without fear of losing their mental health treatments.

**Ms Barbara O’Connell:** I express my sincere thanks to the committee for the invitation to present at this hearing on our 2015 pre-budget submission.

People with acquired brain injury, which may be caused by road traffic accidents, assaults, falls, strokes, tumours can experience varying levels of disability. Having a brain injury is life-changing and requires massive adjustments on the part of the individual and their families who have to alter their life plans to re-build and accommodate a new way of living. For over a decade, Acquired Brain Injury Ireland, ABI, has been working to support people with acquired brain injury to be rehabilitated to reach their maximum independence and recover
their potential using community-based neuro-rehabilitation services. Our organisation grew out of a response to the complete dearth in the availability of such services. We now operate over 100 specific services in almost every county including residential rehabilitation, home and community services, transitional living supports, step-down facilities, day-resource facilities, case management and vocational assessment. We also provide a range of family support services and engage in advocacy work. We enjoy a positive relationship with the HSE as our main funder.

Many people with ABI, once they finish their acute phase of rehabilitation, are faced with two very stark choices. Either they get discharged into the community with no supports or services or they continue to live in acute care wards, community hospitals and nursing homes for years. I know of several cases, including a very recent case of a newly married professional 31 year woman with a brain tumour waiting two and half years in an acute hospital before she got access only to a 12-week specialist rehabilitation programme. She was then offered a choice of returning to that hospital ward or a long-term hospital setting. She now lives in that long-stay hospital setting. She has rehabilitation potential and could be rehabilitated in her own community. These are people who are voiceless and live on the margins of our society.

We have set four key policy areas where we are seeking the Government’s support in our 2015 pre-budget submission. We are asking the committee to recognise people with acquired brain injury as having a set of unique and condition-specific medical and health issues by making commitment to develop a dedicated ABI programme funding for community neuro-rehabilitation in the 2015 budget. We are seeking an annual investment of €25 million. Investing in community neuro-rehabilitation has a range of advantages at the individual, community, family and societal levels. It is an innovative, collaborative and value for money measure which enables all the natural supports in the community to be mobilised. I seek the committee’s support in bringing this issue to the attention of decision-makers. Will the committee commit to investing in community neuro-rehabilitation? In this way, it will start the process of policy recognition for the 13,000 people a year who acquire a brain injury.

Senator Thomas Byrne: In fairness to the organisations, many of their submissions speak for themselves. In my party’s case, they are knocking on an open door.

I am glad to see the evidence from Canada about alcohol pricing. Is the minimum price achieved on tax levels rather than by dealing with the price for the retailer or the producer?

Professor Frank Murray: There are several ways of achieving minimum pricing which can include an element of excise or tax. One of the issues where money could be saved is that currently retailers are writing off a proportion of their loss on alcohol by reclaiming the VAT. There are many opportunities to increase the tax intake by increasing the excise duty on alcohol. Scotland has not had problems implementing it but in actually introducing it as it is waiting on an adjudication from the European courts. Minimum unit pricing has been implemented in two provinces in Canada and there has been a huge benefit in terms of a reduction in alcohol consumption and an immediate reduction in mortality from alcohol-related diseases.

Senator Thomas Byrne: Would alcohol consumption levels in these two provinces have been the same as those in Ireland?

Professor Frank Murray: They were not quite as high as our levels. Europe is the highest drinking area in the world and we are among the heaviest consumers of alcohol in Europe. In fact, we are heavier drinkers than the French and the Italians, both of which drank far more than
we did. They have taken steps to reduce alcohol abuse. An average Italian now drinks half as much as an average Irish person. They are shocking statistics. In France, the fall in alcohol consumption has been mirrored by a fall in mortality associated with alcohol.

**Senator Thomas Byrne:** What drove the fall in alcohol consumption in France?

**Professor Frank Murray:** They had a flight towards quality leading to an increase in price, although their prices are much cheaper than here. Another factor was increased education, which has minimum effect.

**Senator Thomas Byrne:** That is interesting. In respect of specialist off-licences - I know we are veering off pre-budget matters - is Professor Murray advocating something akin to the Systembolaget system is found in Sweden?

**Professor Frank Murray:** One of the interesting facts that came out of the recent HRB study is that the vast majority of people in Ireland start drinking when they are below the legal age, which is something that does not happen in all countries. Part of that relates to possibly lax attitudes as a society but a large part of it relates to the fact that they are able to get their hands on alcohol. If alcohol is sold in a vast number of outlets, it is much harder to police underage selling and procuring alcohol for minors. That is the reason we would support restricting the number of outlets.

**Senator Thomas Byrne:** I proposed a number of years ago that we would not have an age limit but rather have a school limit so that someone who was 18 or 19 and was still in secondary school would not be allowed to purchase alcohol. I thought that would reduce peer pressure because I think there is a huge problem there. There are 18-year-olds in sixth year. I was only 16 in sixth year. I do not know if Professor Murray has any views on that.

**Professor Frank Murray:** Can I emphasise that we are not anti-alcohol? I am not speaking here as someone who is anti-alcohol. I am speaking as somebody is anti-alcohol abuse which is having catastrophic effects. We know that price sensitivity determines sales so any steps that the Oireachtas can undertake in terms of the Finance Bill that will increase the price of cheap alcohol will be effective and the Government will see results immediately.

**Senator Thomas Byrne:** Does Professor Murray mean that we will see results in terms of health expenditure and taxation increases?

**Professor Frank Murray:** Immediately. The shocking thing about it is when Tim Stockwell and his group in Canada looked at this, they found an immediate reduction in alcohol sales and an immediate reduction in alcohol-related admissions to hospitals. One might ask how this could be because many alcohol-related conditions take years or decades to generate. The reason for that is because the people who are most price-sensitive are those with problems with alcohol. Those people who are ill with alcohol-related problems are going to reduce their alcohol intake and that worsens the acute exacerbations they get that often lead to their deaths.

**Senator Thomas Byrne:** Ms Loughnane mentioned the regressive effects of the sugar tax. What are these regressive effects? Is it that they are just easier to find for certain purchasers?

**Ms Cliona Loughnane:** We talk about them being regressive but, obviously, if people are on a low income, their food budget takes up a greater proportion of their expenditure.

**Senator Thomas Byrne:** Could Ms Loughnane say that again?
Ms Cliona Loughnane: If people are on a low income, their food expenditure makes up a bigger proportion of their total income. What we would say about it is that while it is slightly financially regressive, it is very progressive from a health perspective. The reason for that is that obesity is regressive. Obesity disproportionately impacts-----

Senator Thomas Byrne: What sort of products is this proposed for? Is it just proposed for drinks?

Ms Cliona Loughnane: We are just proposing a tax on sugar-sweetened drinks so it includes fizzy drinks and sports and energy drinks. They are the drinks that have-----

Senator Thomas Byrne: But we do not have to buy them. I wonder whether in reality, a tax on those drinks will have a regressive effect.

Ms Cliona Loughnane: That is why we would say that alcohol, tobacco and sugar-sweetened drinks are products of choice. People do not have to buy them. There is no nutritional value in a sugar-sweetened drink. The regressive effect is in terms of finances but in terms of health, it would have a much bigger impact on people on low incomes. We would say that the health impact of it is a no-brainer.

Deputy Timmy Dooley: I thank the witnesses for the presentations, which are helpful. Much of the work they do is in areas other than finance so we will not really get into the detail. It is welcome that the witnesses got an opportunity to put what they do on the record. Our focus is on trying to assist them in whatever way we can in making the point as it relates to the budget.

I am very impressed by the figures coming from Canada. I had not seen them. I am shocked to think that a 32% reduction in the health impact showed up so quickly. That is fantastic. Has the Royal College of Physicians of Ireland looked at grading any punitive measures based on alcohol content? I know there is a desire among some people who feel they might have a problem, particularly those who have become habitual users of wine, beer or other products, to say they wish there were products with lower alcohol content. These people would like to see efforts made in this area. Has the Royal College of Physicians of Ireland carried out any research on that or the positive benefits it might bring?

Professor Frank Murray: We have not carried out direct research on that but I can tell the Deputy the answer. We are suggesting a minimum unit price and an increase in excise duties. A minimum unit price is based on units of alcohol or grams of alcohol, which I think is the new rating, so the more potent drinks will feel the effect more. Unfortunately, a woman in Ireland can reach her maximum safe limit or low-risk limits, to use the correct term, for €6.30 per week and a man can reach his for less than €10 per week. That is very cheap. Many people are spending far more than that harming themselves. The advantage of these tax structures is that they are focused on the alcohol content so it really would serve the function the Deputy is describing.

Deputy Timmy Dooley: I know that.

Professor Frank Murray: Can I just add that the effects are immediate. It is remarkable to people like me who are used to dealing with the chronic effects of alcohol. The death toll in younger people mainly relates to incidents and accidents as a consequence of alcohol. The death toll in people of my vintage is mainly related to the chronic effects of high alcohol intake leading to cirrhosis and other catastrophic organ failures such as brain and heart failure.

Deputy Timmy Dooley: That is helpful. I think Senator Byrne covered more of it. We
regularly hear from Ms O’Meara and the Irish Cancer Society. I fully support this notion of continuing to step up the tax take.

The work done by Acquired Brain Injury Ireland is fantastic and often goes unnoticed. It is one of those unseen heroes of the particular sector in which it works. It is reasonable for us to set aside and ring fence funding on an annual basis. From personal experience, I know that there is not enough intervention in the early stages of people having an acquired brain injury. Most of us get contacted on a regular basis by constituents trying to get into facilities that would assist people in that rehabilitation programme so there needs to be a more capital-intensive programme of investment to support the facilities. Some of these incidences such as strokes probably arise from abuse of alcohol. These are just comments because I think Acquired Brain Injury Ireland’s documents are self-explanatory and straightforward. It was worked out how the process works and has identified what it is asking for.

Deputy Arthur Spring: I wish to share time with Senator Hayden. I agree that as a finance committee, we normally hear proposals about how people want to extract money from us. Some people are giving us proposals on how to put money into the coffers while others are telling us how they would like it to be spent as well so the format this morning is unusual. I welcome the proposals. Alcohol and tobacco are two things that interest us on many fronts, as does the idea of having a tax on sugary drinks. Obesity and tobacco-related and alcohol-related illnesses are having an effect on the overall well-being of the country’s balance sheet and people’s health so they combine in many ways. I have the same mindset as the boys in Fianna Fáil for a change because we are making comments rather than asking questions - well not “for a change”. Members know what I mean. With regard to the idea of ring-fencing money for brain injuries, are there specific details on what needs to be done? I have met many people who have had to raise money because of sports injuries, car crashes, etc. Unfortunately, a colleague of ours in the Labour Party suffered a very traumatic brain injury and has not yet returned to the Seanad. It is an enormous ordeal for the affected families and communities. Much of their activity revolves around fund-raising for assistance. Are there any specifics on this issue?

Ms Barbara O’Connell: There are. I will first answer the question on a financial return. There is a misnomer that the affected people are disabled for life. Through successful rehabilitation, one can teach people to manage their challenges. Many do return to work. Therefore, they may contribute again to their communities and workplaces. When they return to work, they make a tax contribution. It is a value-for-money proposition.

Deputy Arthur Spring: Do they go back to college?

Ms Barbara O’Connell: Yes, absolutely. We have encountered patients who have gone back to college and work. Even people who were in nursing homes have gone back to college.

People do not realise just how bad it is. Once the lady who was in an acute hospital ward in Beaumont for a year waiting for rehabilitation received rehabilitative care, she began to make significant improvements. However, the delay meant she may not make the significant improvement she should make. Delays occur in this regard and with specific inpatients. Following the inpatient stage, people can be rehabilitated in their community. They do not necessarily need to avail of an inpatient service.

Deputy Arthur Spring: Does the expertise exist outside Dublin? We all receive representations on Dún Laoghaire.
Ms Barbara O’Connell: That is why I am asking for the €25 million. We have a number of teams around the country. We have carried out a very significant research project over the past three years in which we have measured the outcomes of our intervention. We have neuropsychology, social work, occupational therapy and speech and language therapy teams. Some of our teams are incomplete but, where they exist, we have measured a significant return on investment in terms of the difference made to people. The message is that we are putting young people, from 18 to 24, into nursing homes although they could be rehabilitated at home. The model we have demonstrated is-----

Deputy Arthur Spring: I want to ask about that. I presume Deputy Twomey, a doctor, knows more about this than I do. I find families have to move to Dún Laoghaire to look after their child.

Ms Barbara O’Connell: In my case, my family moved from Donegal to Dublin because I had a brother with a brain injury. There should not be a geographical dimension.

Deputy Arthur Spring: I know there should not be but, unfortunately, rural people get-----

Ms Barbara O’Connell: One does not need a national rehabilitation hospital; one needs to be rehabilitated in one’s community. Fundamentally, one wants to go home, return to one’s job and live with one’s family. Although one learns some skills when based in a centre, one needs to relearn them at home. One needs to be taught how to manage one’s temper, for example. It could be a case of managing the cognitive memory problems that occur as a result of a brain injury. One needs to do this in the context of one’s circumstances — one could be a politician, for example — and one must be taught how to manage-----

Deputy Arthur Spring: One could not retrain somebody to do this job. It is genetically mad.

Ms Barbara O’Connell: The money should be invested in teams on a geographical basis so people can be supported in their own communities. The current clinical teams are supporting residential and transitional arrangements. One can learn the skills and then go home. Staff can work with the patient in the home and rehabilitate him all the way back to work.

Deputy Arthur Spring: What amount of funding are we talking about in order to do this?

Ms Barbara O’Connell: It would require an annual investment of €25 million to get the teams together around the country. That would be the ultimate vision and dream for a proper service.

Deputy Arthur Spring: How many people would be affected?

Ms Barbara O’Connell: We know that some 13,000 require a service every year. I refer to every injury from sports concussion to car crash injuries, as the Deputy said.

Deputy Arthur Spring: I am conscious of time. I want to ask about Alzheimer’s disease. We are told that hips, knees, etc., can be replaced but that the brain will be the problem area of the future, with the exception of livers and hearts. Do the delegates believe society is not doing enough on health? The World Health Organization released a statistic in the past ten days to the effect that physical activity is one of the keys in keeping Alzheimer’s disease at bay. What in particular can we do? How much money is required?

Mr. Gerry Martin: It is certainly clear and evidence exists to suggest that there are modifi-
able risk factors. Simply, what is good for one’s heart is good for one’s brain. If we can get that message out to the general population, we will certainly see results.

Even after diagnosis, it has been demonstrated that people who benefit from early intervention, through cognitive stimulation therapy, can have improved outcomes and a better quality of life. There is no cure, as I am sure everyone is aware, but some drug modifications can help. Certainly, lifestyle is a factor. If the general population can be educated on this, there will be in incremental decrease in the incidence of the disease.

Senator Aileen Hayden: The position on alcohol and tobacco is almost self-evident and it is hard to argue against it. One problem is that increasing taxes on cigarettes and alcohol hits poorer people harder; that is a fact. I am very interested in the concept of the sugar tax. On the face of it, the argument about sugar also seems self-evident, except for the fact that, as acknowledged, a tax on sugar would be regressive because it would have a greater impact on the poor. While there is a link between reducing sugar consumption and better health, the imposition of a tax appears like an effort to control people’s lives through financially disincentivising their purchase of products they wish to consume.

I heard an interesting debate recently on sugar as opposed to fat, salt and various other substances in respect of the obesity epidemic. One eminent commentator argued sugar is a factor in the epidemic and another argued there is no link whatsoever between sugar and obesity and that the problem has more to do with overall activity levels. It was argued that there is a much broader range of issues concerning the consumption of fat, salt and processed foods to be addressed. Is there international evidence to suggest sugar is the issue? Given the reality that cheap food tends to be high in sugar, salt and fat, can the delegation explain how, if money is to be taken from people’s pockets, it will be put back? Could I have more information on the fruit and vegetable subsidy?

Ms Cliona Loughnane: We are talking about fiscal measures today. We recognise that obesity is a multifaceted issue and requires many policies if it is to be tackled. With regard to a tax on sugar-sweetened drinks, we are talking about this product because it is completely different from any other. It has no nutritional value. A normal bottle of cola contains 12.5 teaspoons of sugar. We are accustomed to seeing people drinking bottles of cola but if we were to see the liquid part removed and somebody ingesting 12.5 teaspoons of sugar in one go, we would be quite disturbed. There is much scientific evidence on this.

There are also issues with products containing fat but randomised controlled trials from countries across the world show that an increase in the consumption of sugar-sweetened drinks leads to an increase in calorie consumption and weight and, therefore, may be responsible for an increase in obesity. There is also a dose–response relationship such that the more sugar-sweetened drinks one consumes, the more weight one puts on. The evidence is incontrovertible that this is a very particular product with a real part in the obesity epidemic. As I stated in my opening statement, one reason for this is that drinks do not seem to satiate as much as other products. When one drinks 12.5 teaspoons of sugar, one does not feel as full as when one eats a product with that quantity of sugar in it. One does not decompensate in terms of the food one takes in.

In the Irish Heart Foundation, which is supported by the RCPI, we certainly believe there is a real connection between sugar, particularly sugar-sweetened drinks, and obesity.

Senator Aileen Hayden: Does Ms Loughnane accept that there are different views on this?
Ms Cliona Loughnane: I accept there are people who talk about other factors. We also talk about trans fats and unsaturated fats. People need to have an overall healthy diet. We are examining the position with regard to a sugar-sweetened drinks tax because such a measure would relate to particular products in respect of which specific issues arise.

Senator Aideen Hayden: There are people in this country who have extremely limited incomes. They have children and they can walk into Lidl, Aldi and other supermarkets and buy these products despite the fact that they do not have a great deal of money. I have children and most other children I know want to imbibe sugary drinks. The reality is that a pint of milk is more expensive than a pint of Coke. The latter is what children actually want to drink. Are we being somewhat overly prescriptive in respect of those who are on low incomes in terms of increasing the cost of the products they want to buy in order to discourage them from purchasing them?

Ms Cliona Loughnane: One of the reasons we are examining the position regarding a sugar-sweetened drinks tax is because there are cheaper alternatives, including milk - which is actually a cheaper alternative to many of these products - and water. These are the things which young children should be drinking. By introducing a tax-----

Deputy Timmy Dooley: I think we are becoming involved in a debate about parenting.

Senator Aideen Hayden: We will move on. I am more interested in another aspect of this matter. More money will be taken from poor people than from their richer counterparts if a sugar tax is imposed. That is just a fact. What fiscal proposals does Ms Loughnane have in the context of putting that money back into the pockets of poor people?

Ms Cliona Loughnane: It is important to state that we are advocating a sugar-sweetened drinks tax. It is not a sugar tax, per se. The Nevin Economic Research Institute examined the household budget survey in order to discover how much people spend - approximately €3 to €4 - each week on these products. Introducing a tax that would increase the price by 20% - this is what we are seeking because we believe it to be necessary to encourage people to reduce their levels of consumption - would lead to an increase of 67 cent to 83 cent in the amount households spend on these products each week. It would, therefore, still be a small amount in the context of a household budget. We are, however, conscious that 10% of the population is living in food poverty at present. We do not believe it is acceptable to raise prices on unhealthy products without helping people to access healthier products. In that context, a fruit and vegetable subsidy seems like a very good idea to us. One of the reasons for that is that there are schemes already in place which could be bolstered by funding which would come from this tax revenue. We have in mind schemes such as the school fruit scheme, which is offered through the CAP, in this regard. This scheme is not fully funded to schools and it is only available for a very short period. What we are talking about is allowing schools to have access to free fruit during the entire academic year.

Trying to build on structures that are already in place is the easiest way to develop models. In that context, the Department of Social Protection is already providing a school meal programme. However, many DEIS schools are finding it difficult to access the programme because it does not meet any capital or staffing costs. In light of the reduction in the number of people on community employment schemes who might have worked in this area previously, it is very difficult for schools to get involved. We are of the view that breakfast clubs could be developed throughout the country. One in six children does not have breakfast on any given weekday. We recognise that people are living in food poverty and that they need to be able to
access a nutritious diet.

Senator Aideen Hayden: Is Ms Loughnane referring to ring-fencing any moneys that would be gained from the imposition of a tax in respect of sugary drinks and, for example, using them to provide schools meals, particularly in disadvantaged areas?

Ms Cliona Loughnane: Exactly. We would not advocate ring-fencing all of the money because we know the Department of Finance is not in favour of doing so. However, there is a case to be made for increasing the cost on one hand and reducing it on the other. We suggest, therefore, that part of the revenue which would accrue should be ring-fenced.

Senator Aideen Hayden: On one level this is not necessarily an issue in respect of the budget but what is Ms Loughnane’s view on the fact that State schools and sports facilities are littered with vending machines which contain products with a high sugar content?

Ms Cliona Loughnane: This is a matter about which the Irish Heart Foundation is very concerned. In 2007 we compiled a study in respect of the products available in schools. At that time confectionery was being sold in 75% of schools. When one discusses this issue with school authorities, they state that they need the money they obtain through the sale of those products. We have carried out research, which will be published in September, in respect of the type of food being provided in schools. I will be in a position to provide to the Senator further information on this matter at that stage. The HSE is considering a policy in respect of vending machines whereby some of the products it is possible to obtain would be changed. The Irish Heart Foundation would like all of these machines to be removed. That is one of the reasons we advocate the establishment of a children’s future health fund. We are of the view that some of the revenue generated by a sugar-sweetened drinks tax should be put into developing the other policies that are required with regard to tackling obesity. One such policy would involve removing all vending machines from schools. It might be necessary in this regard to allocate additional funding to schools in order to meet any shortfall which might occur.

Those in the food industry state that they do not advertise to children under the age of 12 on television. However, there is massive advertising of certain products in sports facilities in which large numbers of children congregate. At some point the food industry will be obliged to examine its behaviour in this area, particularly in the context of sugar-sweetened drinks products.

Senator Aideen Hayden: Is there anything we can do about that in a fiscal sense? People are being sent mixed messages here. Children in school are taught about the food pyramid but they can walk down the corridor and buy Coke, crisps or whatever from a vending machine. It is a case of do not do it, on one hand, and there is a machine in the corridor to allow them to do it, on the other. The position is the same with sports clubs. We are trying to encourage people to be more physically active and yet those who frequent such clubs have easy access to various types of fizzy drinks. Is there anything we can do, from a fiscal perspective, to tackle that aspect of this matter?

Ms Cliona Loughnane: I am not sure if that is a fiscal issue. The Department of Education and Skills introduced a policy whereby vending machines are banned from primary schools. Some fiscal measures are required but it is also necessary to put in place public health policies which indicate that it is not acceptable to make certain products available in locations where children are to be found. There is, for example, a policy in place whereby the advertising of these products during television programmes aimed at children is forbidden. We are discussing
fiscal measures here but there are many other measures which also need to be introduced.

**Senator Aideen Hayden:** I believe in the continuum of care approach. One of the difficulties that exists in society at present is that it is a case of either pretty poor care in the community versus full-time nursing home or residential care. It is clear that we need to develop some kind of continuum policy which falls somewhere between care being provided in the home and full-time residential care. Have our guests compiled costings on the relative savings that would accrue from providing a more wide-ranging continuum of care approach rather than continuing to overemphasise residential care? I ask this because, obviously, the Department of Finance speaks the language of euro.

**Mr. Gerry Martin:** Significant work has been done in respect of the actual costs relating to the different types of care available. We are aware that long-term residential care costs in excess of €50,000 per person per annum. The point we are making is that a small fraction of this money - invested at the right time and in the right place - would give rise to an exponential benefit in terms of the total cost. If a person with dementia enters an acute setting - that could be a preventable situation - he or she will spend twice as long there as would an individual who does not have dementia. There are significant savings to be made if we can reconfigure the position and spend a fraction of what is being spent in expensive settings in the right place at the right time.

**Ms Barbara O’Connell:** We are promoting the case management model in our pre-budget submission. We have compiled two full-research studies in respect of three case managers in the north east who operate in Cavan-Monaghan, Louth and Meath. By those three case managers being put in place, over 12 months a saving of €3.5 million was made. That does not even include the cost of the case managers in question. How were those savings made? The answer is that people were not admitted to nursing homes, while others were removed from them and sent home. Some of the individuals involved no longer needed supports. In addition, people were also removed from acute hospitals. The other research we carried out involved people who were removed from community hospitals, placed in transitional living arrangements for rehabilitation for a period of six months and then sent home. Significant savings of the order of €230,000 or €240,000 per person were made as a result of this research, which was carried out by Trinity College. I would be happy to forward the results of the research to the Senator.

We have also done outcome-measurement studies which show that the impact rehabilitation has had in the context of the people involved. The results of all of our research show that these initiatives have given rise to amazing value for money. If a case-management model and a continuum model were put in place, there would be real savings for the Exchequer.

**Senator Aideen Hayden:** I thank all of our guests for their excellent presentations.

**Professor Frank Murray:** On Senator Aideen Hayden’s point about taking tax from the poorest, there is a social justice issue in increasing the cost of alcohol and tobacco products because although cigarettes and alcohol are equal opportunity destroyers of health and lives, the greater burden falls on people in poorer socioeconomic groups. The paradox is that even though increases in price will result in people in the poorest socioeconomic groups restricting their intake of alcohol and tobacco while spending the same amounts, their health will be improved. In addition to the fiscal issues, I argue that there are social justice issues. It is possible to generate money effectively, while also serving the community because we will have addressed these social justice issues.
The committee will be aware of the debate in recent years on how we use alcohol and our unhealthy relationship with it. It is said it is part of our culture, but I argue that the abuse we have seen and the doubling of alcohol consumption in the past 50 years are not part of it. These developments have been marketed and manipulated by the alcohol industry. We should be radical about this issue, just as we were in dealing with bituminous fuels and the smoking ban. There is an opportunity for the Oireachtas to create huge benefits for the people, while saving money at the same time. If the Government took radical steps, it would be remembered as the one that did the right thing on alcohol.

Ms Kathleen O’Meara: On the point that tax increases on cigarettes hit the poorest sections the hardest, more than 70% of people who smoke want to quit smoking. As part of our longer proposal, we recommend that 20% of the increased tax take from the tax escalator and other measures be ring-fenced for cessation services. Such funding is badly needed because services are patchy, irregular and failing to reach the communities and people who really need them, namely, heavily addicted smokers. Smoking is a major health inequality issue and I concur with Professor Murray on the social justice issues. The burden of illness caused by smoking is carried disproportionately by disadvantaged communities and poor people. Women are dying younger because there is a higher death rate among women from lung cancer than from breast cancer. Unfortunately, most of these deaths are of women who had smoked since they were teenagers and who came from poor and, often, single parent communities. This is an issue of social justice. The tax increases are not the full picture; there is a public health duty to act. That is why we propose a measure which would bring significant revenue to the Exchequer, while at the same time ring-fencing 20% for smoking cessation measures, specifically to support those individuals and communities that most need help in giving up.

Senator Aideen Hayden: My point was purely that we should try to ring-fence fiscal gains that, in effect, came from the poorest sections of society and give them back to them.

Ms Kathleen O’Meara: In the case of tobacco tax, 20% would equate to approximately €200 million per year, which represents a significant amount of money for cessation services.

Mr. Gerry Martin: It would be wrong of me not to take the opportunity to draw the committee’s attention to the cuts made last week to the support scheme for national organisations. The Alzheimer Society has suffered direct cuts in the very areas we have been discussing in terms of early intervention. I also represent the views of the Neurological Alliance of Ireland, the membership of which has been significantly hit across the disability sector. I ask the committee for its support in the campaign to reverse the cuts because they impact on the delivery of essential services and many organisations will be devastated if they are not reversed. A structural issue also arises because if these are essential services, they should not be funded on a grant basis in the first place. They need sustainable funding. I also ask for the committee’s support in that regard.

Deputy Arthur Spring: On access to alcohol, in certain European countries it is not possible to purchase hard alcohol in supermarkets. I find it bizarre that people can go to a supermarket to buy cornflakes and end up with a slab of beer. These are not the products with which supermarkets are quintessentially associated. One goes to purchase groceries and leaves with a potentially harmful product. It has become part of the weekly shop for many. As Senator Thomas Byrne noted, alcohol is a loss leader in some cases, with implications for VAT returns. I lived for one year in Sweden where one could only purchase wine, spirits and stronger beers through the Systembolaget. The only alcohol that could be purchased in supermarkets was weak beer and it was expensive. I encourage the committee to consider a way of taxing alcohol,
but I would also like to hear the delegates’ opinions on restricting access and pushing people back towards the positive social dynamic of the pub. I am in favour of people drinking in pubs and enjoying that social dynamic, although not recklessly.

Cigarettes are still too widely available and people can purchase them wherever they want. Should a specific and restrictive licence be attached to their sale? Ms Loughnane spoke about taxes on tobacco. During my lifetime the dispensing unit for Coca Cola went from a can to a 500 ml and then a 1 litre bottle. I recall from my studies of consumer behaviour that the health organisation in France decided that the largest size of cup that McDonalds would be permitted to use in that country would be the same size as the smallest size in the United States. On the issue of promoting healthy foods and the five a day, I own a juice bar. The irony is that a higher rate of VAT applies to reduced fat products, whereas VAT is not imposed on dairy products such as milkshakes or confectionery. The French still subscribe to the principle of nine a day in fruit and vegetable consumption. The proof of the pudding is in the eating. The French are healthier than we are.

**Senator Aideen Hayden:** Does the sugar tax attach to diet drinks?

**Professor Frank Murray:** I will deal with the questions on alcohol. I agree that the Swedish model makes more sense than the Irish one. Alcohol is not an ordinary product. Nothing else on the aisles of supermarkets is as dangerous as alcohol, but it is sold as an ordinary product alongside crisps and peanuts. I agree that we should restrict its sale. I am particularly irritated by the fact that all petrol stations sell alcohol. I cannot understand this, as they mainly sell high potency alcohol. I encourage Deputy Arthur Spring to drive that argument among his Oireachtas colleagues. Many of the suggestions made constructively by the Deputy and his colleagues are self-evident. The alcohol industry is arguing they would hurt the poor and the tourism industry, but they would do the opposite. The tourism industry is being damaged by drunkenness and drink related behaviour on the streets and in town centres. I argue there is a huge economic benefit in restricting the number of outlets and monitoring the way they sell alcohol to ensure there is less under age drinking.

**Deputy Arthur Spring:** I am quite in favour of the pub industry.

**Professor Frank Murray:** To me, the big problem is the supermarkets, the convenience stores and the petrol stations where it is hard to see the same levels of enforcement with regard to selling to people who are under age or selling vast quantities.

The point the Deputy made about size is interesting. There is no such thing as a six pack any more; it is now a slab and that has come about through clever marketing by the alcohol industry. Outlets are now selling much bigger quantities. According to Alcohol Action Ireland, there has been a 500% increase in the number of off licences in the past 20 years. I do not see the social benefit of that, and what the Deputy said in that respect is right. In addition to the fiscal measures being suggested here, I encourage members to take back to their parties and to the Houses of the Oireachtas the message that there is a need to take other steps beside price measures. Deputy Spring was correct when he said that the availability of alcohol is an issue and he is right on the money when he said that there is a need to restrict the sale of high potency alcohol. I would support that.

**Deputy Arthur Spring:** Thank you.

**Ms Cliona Loughnane:** In terms of the size of sugar-sweetened drinks, the Deputy is right.
What we think of as small now would not be what my grandfather would have thought of as small in the past. In New York there is what is called “the big gulp”; we do not have that here yet. These are 32 oz drinks. There has been a big push there to change the size of those. The industry has completely opposed it and it has now gone to the courts, and I am not sure what will happen there. We would like the tax to be introduced to directly address this in terms of the volume sold. We would like the tax to be on volume metric basis, which would be on the volume of the product. In that way the tax would increase if one were to buy a 1 litre drink or a multi-pack of drinks. The best way to introduce the tax would be on a per volume basis. That is the way it has been done in France. It has put a 7 cent tax on a litre drink. We do not believe that amount would increase the price enough but it is a move in the right direction.

On the diet drinks, we would like the sugar sweetened drinks tax to be on the added sugars, that is, the full fat or the full sugar drinks. There is talk of the difference in the VAT rates. This is something we pointed out in our pre-budget submission last year, the different VAT rating for different food products. It seems to be completely arbitrary.

**Deputy Arthur Spring:** It does not work out at all. It does not promote healthy living nor does it promote essential buying.

**Ms Cliona Loughnane:** Exactly. There are inconsistencies in that, for example, a frozen pizza is zero rated. We cannot understand why pizza would be zero rated. We recommend that somebody examine the VAT rate and try to make it sure that its application makes sense, as the Deputy said, in terms of promoting the healthier food products. We need to recommend examining a nutrient profiling model. That is something we have used in Ireland for the broadcasting authority in terms of the marketing of food to children. That is a model that has been used in the regulatory system in Ireland. We agree that the VAT rate should be reconsidered.

**Ms Kathleen O’Meara:** On the issue of the availability of cigarettes and licensing, an annual licence fee is coming in and it will be related to whether an outlet or a shop has broken the law on selling to minors, for instance, and obviously we would welcome that measure. It is about the denormalisation of cigarettes and the removal of them from sight at the point of sale is very important in that regard.

**Ms Barbara O’Connor:** I would like to add something to that. Professor Bolger in Beaumont has done some research around the incidence of brain injury and much of it is related to the increase in unprovoked assaults due to alcohol consumption. That comes back to the profile of these 18 to 25 year old men. That is quite a serious problem and he has evidence that there has been a rise in the incidence of such injuries, and we know that, anecdotally, from the newspaper articles. The people we deal with now often come in as a result of alcohol-related incidents.

**Vice Chairman:** The clerk to the committee and myself were starting to think that we were in the health committee rather than the finance committee with the issues that were cropping up. Supermarkets like Aldi sell fruit and vegetables very cheap. I have three teenagers and one can buy fruit such as oranges and vegetables at a very reasonable price in Aldi.

**Ms Cliona Loughnane:** Some research has been done around those who live in a disadvantaged community and the kinds of shops that are available to them. It appears that in many disadvantaged communities access to supermarkets is quite difficult because those people tend not to own a car and there may not be a supermarket in their area. This has been talked about in terms of food deserts. People are living in areas where they are very reliant on convenience stores.
stores. One would find that if one were to buy oranges in a convenience store that they would be expensive. This comes back to the issue that while the fiscal measure will have some impact, all these other things need to be done as well to help improve the tackling of the issue of obesity.

Vice Chairman: If we were to focus on what Ms Loughnane said, we should examine issues such as commercial rents in deprived areas to drive supermarkets into those areas rather than introducing a blanket food subsidy on fruits and vegetables, which again will be of advantage to the middle class and better off people according to her theory.

Ms Cliona Loughnane: The way we would think of rolling out our proposed fruit and vegetable subsidy would be around the schools, and particularly the DEIS schools, to target people who are on low incomes and are finding it difficult to buy nutritious food. It should be done that way. There is also another matter on which we have research. Professor David Madden in UCD examined the introduction of a sugar sweetened drinks tax at the level of a 10% price increase, and if a subsidy was not introduced how much it would cost to compensate the people in the poorest socio-economic groups. He found that €4 million would need to be redistributed to that group. It is quite a small amount. There are probably other ways to do that as well.

Vice Chairman: If I were to bring in representatives of Coca-Cola and of some of the retailers before the committee, one side would say we are a nanny state and that it is a matter of parental responsibility while the representatives before us would say that they are manipulating people by marketing, but let us stick to hardcore financial issues. Would Ms Loughnane’s organisation promote a blanket ban on the dispensing of drinks from vending machines in secondary schools such as there is in primary schools?

Ms Cliona Loughnane: That should certainly be examined in secondary schools.

Vice Chairman: We could just call for it.

Ms Cliona Loughnane: If the finance committee wants to call for that, we would be supportive of it.

Vice Chairman: There is no point in dallying around it; we will do it or not do it. That is the way we should look at it.

Some of the information we have is very interesting. One of the points being made is that the issue of getting the VAT back on below cost selling of alcohol is an anomaly.

Professor Frank Murray: There are many perverse outcomes of the Irish relationship with alcohol. The Vice Chairman is right in that it is ridiculous that we are compensating major retailers by reimbursing their VAT if they sell below cost. We should nail that one straight away. If we increase the price of alcohol and restrict the availability of it, it is a win-win situation because we will generate more income for the Government and improve people’s health. There are very few other things that we can do that with so it is a virtuous circle. There are data on this. People who have been surveyed by the Health Research Board have said that if alcohol was more expensive, they would drink less. We have identified already that we have a terrible problem with alcohol. A recent survey identified that between 1.3 million and 1.4 million people in Ireland drink harmfully, which is a shocking statistic that should stop us completely in our tracks. In much of the debate that has followed, people have denied it and said that in respect of the binge drinking rates here, it is a ridiculously low threshold. They are the international definitions applied to Ireland, not Irish definitions applied to Ireland. I argue the we have
a great opportunity here for a win-win situation.

Vice Chairman: Sugar is quite an expensive commodity. It is not sugar that is used in most of these soft drinks, but some type of maize by-product.

Ms Cliona Loughnane: We see the use of fructose, sucralose and those type of products.

Vice Chairman: Should we focus on those?

Ms Cliona Loughnane: There is different coding for the different products. The tax would probably apply to the mineral and soft drink coding. The Department of Finance would have to work out the administration but it is likely that is the code to which the tax would apply. It would include the fizzy drinks and the sugar energy sports drinks.

Vice Chairman: A number of groups have appeared before the committee, although I have only chaired this meeting, and if I were to say we were making our own recommendations and to ask each group to identify one issue it would like me to raise with the Minister, Deputy Noonan’s, what would the issue be for this group? I am talking about just one issue.

Professor Frank Murray: From each one of us?

Vice Chairman: Okay.

Professor Frank Murray: He should substantially increase the price of the cheapest alcohol. He should turn off the tap of cheap alcohol through increasing its price substantially.

Ms Cliona Loughnane: I would advise introducing the 20% tax on sugar sweetened drinks.

Ms Kathleen O’Meara: I would advise introducing the tax escalator of at least 50 cent a year for the next five years on the price of a packet of cigarettes.

Vice Chairman: I was interested in what Ms O’Meara said, that by switching to cheaper brands one could continue to consume the same amount of tobacco. That is an issue.

Mr. Gerry Martin: There should be a significant increase in the allocation for home care services for people with dementia, with the caveat that it be dementia-specific home care, not generic provision, and that it be a tailored and individualised service for the individual.

Dr. Shari McDaid: I would advise extend counselling in the primary care service to meet more of the need identified; therefore, there should be an increase in the amount of funding allocated to counselling in the primary care service.

Vice Chairman: On that issue, I am also a general practitioner and was always given the impression that there had been a significant improvement in the counselling service at primary care level. Admittedly, I have not seen it on the ground, but I thought it was a local issue rather than a national one. Dr. McDaid is saying this has not happened at national level.

Dr. Shari McDaid: We have had the start of a programme. Last year there was the first roll-out of free counselling in primary care, for a maximum of eight sessions, for medical card holders only. If we estimate that there are 690,000 people in Ireland who suffer from anxiety and depression and we know that there were only 5,000 referrals to the service in the first six months of operation - perhaps 10,000 referrals in a year - we are nowhere near meeting the level of need identified. That service, or a similar service operated in the United Kingdom, is cost saving in terms of referrals to, or usage of, other health services and in returning people to work
who would otherwise spend more time out of work on sick pay as a result of suffering from anxiety and depression and so forth. It is a simple argument.

**Ms Barbara O’Connell:** I would ask for investment in community rehabilitation services for people with a brain injury. It is an innovative, collaborative and value-for-money model. A sum of €25 million would do.

**Vice Chairman:** I would also deal with people who try to stay at home, as opposed to moving to a residential care setting.

**Ms Barbara O’Connell:** Many of them are in residential care because there are no services available. Nobody understands rehabilitation will help them. It reduces the burden on the care giver and gives people back power over their own lives. It helps them to have a meaningful life. It reduces the number of hospital admissions and many people actually go back to work. It might not be the same job, but it is somewhere where they can make a valuable contribution. It is a cost saver and not unlike the mental health argument. The people concerned are not sick and do not have a progressive condition. Sometimes what people see is the wheelchair user, but all of the people concerned are the walking wounded. They look perfectly fine and given the right supports and with the right management, they can make a major recovery.

**Vice Chairman:** I thank the delegates for attending. Their contributions were very good and useful. It has been an excellent meeting. We will be making our recommendations in private session at the end of all the hearings. A number of groups have appeared before the committee.

*Sitting suspended at 11.35 a.m. and resumed at 12.15 p.m.*

**Chairman:** We will commence session 5 of the pre-budget submissions and a roundtable discussion on agriculture and transport. I welcome Mr. Eddie Downey, president, and Mr. Pat Smith, general secretary, of the Irish Farmers Association, IFA; Mr. John Comer, president of the Irish Creamery Milk Suppliers Association, ICMSA; Mr. Denis Murphy, managing director of Blackwater Motors and Audi Cork; and Mr. Eoin Gavin, president of the Irish Road Haulage Association, IRHA.

The format of the meeting will be a roundtable discussion on agriculture and transport based on the pre-budget submissions received from the organisations before us. The witnesses will make their opening statements in the following order: the Irish Farmers Association, the Irish Creamery Milk Suppliers Association, Blackwater Motors and Audi Cork and the Irish Road Haulage Association. A question and answer session with members will then ensue. Given the time constraints involved, and to ensure we have a constructive debate, the opening statements will be three minutes each. Witnesses have already been advised by the committee secretariat that I will stop them if they go over their time limit. Each member is entitled to ask questions only once and the relevant witnesses can respond. I remind members, witnesses and those in the Visitors Gallery that all mobile telephones must be switched off as they interfere with the broadcasting and communication services in the committee room.

I advise the witnesses that by virtue of section 17(2)(l) of the Defamation Act 2009, they are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to do so, they will be entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these pro-
ceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. Members are reminded of the long-standing ruling of the Chair to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable.

I invite Mr. Downey to commence his opening statement on the pre-budget submission and other witnesses will follow in the sequence I outlined.

**Mr. Eddie Downey:** I thank the committee for this opportunity to outline the IFA’s position on this year’s budget. Agriculture is Ireland’s largest indigenous industry, with an estimated 300,000 people relying directly or indirectly on the industry for jobs. It supports economic activity throughout rural Ireland. When we look ahead at this year’s budget the core objective of the Government must be to focus on supporting sectors delivering jobs and export growth.

As committee members are aware, 2013 was a very difficult year for many farmers. The already low income cattle and sheep sectors were particularly badly hit, with incomes falling to between €10,000 and €16,000. Despite these difficulties farming continues to contribute to the economic recovery which is now clearly evident through continued growth in agrifood exports and employment. Agrifood exports reached a record high of almost €10 billion in 2013 and the value of exports has increased by a further 11% in the first four months of the year.

Funding for farm schemes underpins farm income and output. Under the new rural development programme there is an overall allocation of €2.1 billion of EU funding and €1.9 billion of national funding for the period from 2014 to 2020. I wish to take this opportunity to acknowledge the funding commitment made earlier this year by the Government to the rural development programme for the next six years. More than €500 million funding for rural development schemes must be provided in the October budget. This funding will deliver programmes of support for low-income farmers, provide environmental services, encourage young farmers, promote on-farm investment and support farming in marginal areas. With the significant increase in EU funding available in 2015 the level of funding for rural development programme farm schemes can be provided without an increase in Exchequer funding in the agriculture budget for 2015.

Priorities for farming in the budget for 2015 are the commencement of contracts for the new green low-carbon agri-environment scheme, GLAS, in early 2015, with places for 30,000 farmers in the scheme in its first year and payments being disbursed in 2015; the allocation of €30 million for the targeted agricultural modernisation scheme, TAMS, in 2015 to fund on-farm investment programmes in all sectors; funding of €52 million for the beef data genomic scheme in support of the vulnerable suckler herd; and increased capital funding allocations for horticulture, forestry and agriculture to achieve output targets and employment growth.

On the taxation side, the IFA believes the agri-taxation review provides an opportunity to identify the key challenges faced by agriculture, the potential for growth and development of the sector and the taxation measures which can most appropriately address the challenges and realise this potential. These taxation measures must encourage on-farm investment, assist farmers in managing volatility, encourage new entrants into farming and increase land mobility. The priorities are the introduction of a tax deposit scheme to managing income volatility, the retention of 90% agricultural relief to support the transfer of viable family farms, the introduction of a phased transfer----
Chairman: I must ask Mr. Downey to conclude soon.

Mr. Eddie Downey: ------partnership model for transfer from one generation to the next, and extension of the land leasing scheme. The pay and file deadline must be maintained and stamp duty continuity relief must also be maintained. These taxation measures must be introduced in this year’s budget as they are critical for the development of this important sector.

Mr. John Comer: The ICMSA welcomes the invitation and this opportunity to address the committee on what it believes are the key aspects of its pre-budget submission. The pre-budget submission addresses a number of issues, but for the purposes of the presentation I will focus on those of particular importance to Irish farmers with regard to growing and developing their farm enterprise in a sector which is of crucial economic importance to the Irish economy which, as has already been stated, has grown to the tune of €10 billion.

Farm income volatility and cash flow can be a serious impediment to Irish farmers, and we aspire to create an environment which would smooth out some of this volatility, particularly in the context of expansion. The ICMSA proposals a farm management deposit scheme, the details of which have been circulated and are available. I am happy to answer questions on it. As my time is limited I cannot go into it in detail.

Flexibility in the write-off of capital expenditure is important and should be between three and eight years, with the potential to use up to 50% in any particular year. Incomes fluctuate depending on markets and tools must be available to the farmers to make it more fit for purpose.

It is vital that GLAS, TAMS and the areas of natural constraint are adequately funded by the Department of Finance. As previously stated, all of this funding comes back to the local economy and none of it goes into offshore accounts, unlike large corporations. With up to 300,000 jobs supported it is value for money. We advocate frontloading these schemes and having them in place and ready for use as soon as possible.

Other areas of concern to us are the retention of stock relief, being able to transfer a family farm from one generation to the next without tax liability and the reintroduction of indexation with regard to capital gains tax. When capital gains tax was reduced from 40% to 20% indexation was not as important, but the rate has increased to 33% and a fresh look at indexation needs to be taken to make the system equitable.

With regard to capital acquisitions, it is vital the 90% rate is retained for farmers. The early retirement scheme is gone. Income tax relief on land leasing should be extended to family members and we would restrict this tax relief to those aged between 55 and 65 so it would not be counter-productive. In Irish society today it is very difficult for a father or mother to hand over a farm to a son or daughter with all the potential variables that exist. They just do not know in terms of status of marriage and they have to have their own income for another few years. We would like that extended to family members. I think we could come up with a mechanism to avoid it being open to the potential abuse that is suggested if it was introduced. Obviously there is the extension of the 1% stamp duty for untrained farmers and a plethora of other items I could discuss.

Mr. Denis Murphy: I appreciate the opportunity to present my submission to the committee. Committee members should not believe the current car registration statistics because they are being manipulated by manufacturers. The basis of my proposition is to increase Exchequer revenue through efficient taxation. We are not looking for a handout or a tax break. If we re-
duce vehicle registration tax significantly or abolish VRT over a period of years, the resultant increase in sales and employment would more than compensate for the loss of tax revenue from the reduction or abolition. One estimate puts the benefit at ten times the amount of the reduction.

There are many estimates as to how the market would react to a reduction in or the abolition of VRT and many anti-reform activists will always cast doubt as to the potential size of the market and claim we cannot afford a reduction. My analysis proves the opposite and concludes we really cannot afford not to reform VRT.

I will give three recent concrete proven examples of the potential size of the market. In 2013 some 52,000 cars were registered in Northern Ireland while 74,000 cars were registered in the South. We have 2.5 times Northern Ireland’s population and its property crash and banking crisis is as significant as ours. If we extrapolate the Northern Ireland number, we should still be selling 130,000 new cars per annum, even in the depths of this recession.

In 2013, some 50,000 used cars were imported from the UK where VAT is paid to the UK Exchequer and there is little or no consumer protection, a very significant problem that gets little or no publicity. So many cars are imported because of the lack of new car sales which produce used cars for the used car market in Ireland. Irish car retailers cannot meet the demand for used cars owing to the lack of new car sales. Every time we import a used car we export jobs and pay VAT to the UK Exchequer. We believe these imports constitute a substitution purchase for a new car and if prices were reduced, buyers would purchase a new car rather than importing a used car. This has been proven economically.

In 2009 the new car market fell to 50,000 units. In 2010 and 2011 the market increased to 90,000 units after the introduction of a scrappage scheme where a VRT subsidy of €1,000 to €1,250 was given by the Exchequer. In 2013 the market fell back to 74,000 units following a 2% VAT increase and a 3% VRT increase.

These three recent and unquestionable figures give a very good idea of the size of the new car market and its potential size in the future. They also prove the price sensitivity of the market. The economist, Mr. Peter Bacon, in a report on VRT and other issues in 2009, estimated that the abolition of VRT would leverage the economy ten times. This means that for every €1 lost on VRT, the economy would gain €10.

The average family car in Ireland is taxed by almost €8,000 - one of the highest taxes on cars in the European Union. This is an indiscriminate, inefficient and socially regressive method of taxation. The European Commission, the Commission on Taxation, consumer groups and representatives of the motor industry have called for its reform or abolition. I hope the committee members will support the call for major reform of VRT.

Mr. Eoin Gavin: I thank the Cathaoirleach and committee members for inviting the Irish Road Haulage Association to outline our pre-budget submission regarding heavy goods vehicle road tax. Road haulage is a key industry in Ireland as it has facilitated our export-led recovery. However, the costs of operating a truck in the Republic of Ireland are now greatly out of line with Britain, Northern Ireland and numerous other EU member states.

As a result of the ever-increasing costs, Irish international haulage operators are registering or reflagging their commercial fleet in other European countries where operating costs are far more favourable and, consequently, Irish national hauliers are unable to compete with their
Northern Ireland counterparts. Up to 2,000 trucks have already left the Irish system with many more considering a similar effort in the new year.

An international truck transporting into Europe will turn over an average of €5,000 per week with 90% of that turnover injected back into the local Irish economy. Some 20% of that turnover is direct taxation, through VAT, PRSI, road tax, insurance levies and vehicle testing and enforcement. However, one primary issue at the heart of all this is the cost of taxing a heavy goods vehicle. A 44-tonne articulated truck costs €4,000 to tax in the Republic of Ireland versus £650 to tax north of the Border in Newry. It is unsustainable for any Irish haulage business to compete with those levels of road taxation.

In light of this scenario, the Irish Road Haulage Association has made a proposal to the Government for this year’s budget. The proposal would bring a simple situation for taxing vehicles as applies in other European countries including the UK. Taxing a HGV should cost €750 for vehicles up 18 tonnes, €1,000 for vehicles up to 38 tonnes, and €1,250 for the larger HGV of 44 tonnes or 46 tonnes. This would bring our commercial vehicle road tax in line with our European counterparts and as a result greatly facilitate a competitive platform for our national fleet.

We are not naive about our proposal. It would cost the Exchequer €20 million initially. However, if 400 trucks reregister in Ireland, which had previously reregistered outside the state, the cost of €20 million would be covered by the taxes the repatriated vehicles would contribute to the Irish Exchequer. In addition, we propose the implementation of a pay-as-you-go road charging mechanism. Last year the Irish Road Haulage Association did a survey at our borders and ports of foreign vehicles entering our roads every day. A charge of €10 per day would net the Irish economy €23 million. In order to implement such a pay-as-you-go system, the current road tax structure needs to change to the three categories I previously outlined.

We also seek the realignment of the road tax across all commercial vehicles. At the moment 300,000 vehicles pay an average of €330 to €450, many of them vans, some commercial and some non-commercial. With a realignment of all commercial vehicles, bringing the €330 to an average of €400 along with the €750, €1,000 and €1,250 I mentioned earlier, the €20 million would be recouped immediately.

Finally, by way of example of haulage operators moving out of the Republic of Ireland to other jurisdictions, an Irish Road Haulage Association member in Dundalk moved 58 trucks to Liverpool, bringing about a loss of €230,000 to Louth County Council in road tax alone. Another haulier in Limerick recently moved 29 trucks to Holland. We have lost 2,000 vehicles in the national fleet in the past 18 months.

The IRHA projects that up to 5,000 trucks will move out of the Republic of Ireland within the next 12 months if road tax is not brought into line with the rest of Europe, including the UK, leaving the Irish economy completely reliant on foreign vehicles for their transport requirements from this island.

Chairman: I need to suspend the meeting temporarily, as there is a vote on the Order of Business in the Chamber. As soon as that is concluded, we will resume the meeting. Is that agreed? Agreed.

Sitting suspended at 12.47 p.m. and resumed at 12.48 p.m.

Senator Thomas Byrne: I thank the witnesses for outlining their positions. I apologise for the lack of my colleagues. Deputy Michael McGrath has gone to the Dáil vote and Deputy
Dooley is at another meeting. Fianna Fáil is one of the smallest parties here, but there have been many of these meetings this week.

The submissions speak for themselves. I know that the representatives of the farming organisations will also appear before the Joint Committee on Agriculture, Food and Marine where the specifics will be taken up. The taxation issues they raised are often raised regarding the spending matters, various schemes and the rural development programme. They would be issues for the Department of Agriculture, Food and Marine through the Joint Committee on Agriculture, Food and Marine. The submissions on the taxation side are useful and they will find support from most. The pay and file deadline is obviously a practical issue across many industries. I assume there would be support for the various taxation measures they mentioned, including the consanguinity relief.

I will come to the representatives of the motor trade. I also have a vote coming up in a few minutes, which is why I am rushed. I like many of the points raised but I wonder what the industry is doing. I opposed the scrappage scheme because I thought the industry should be doing it. When the scrappage scheme ended, we saw some brands in the industry bringing in their own scrappage schemes, which is what they were called in their advertisements. I thought that one of the biggest problems over the past few years was the lack of finance. What should have happened is that these manufacturers should have come in with their own finance schemes to stimulate the market, which they have now done. They are very large corporations. I am not saying this to disagree with Mr. Murphy but to challenge the industry. There is constant lobbying of Government to change tax, etc.

I agree with many of the points made and see the sense in what Mr. Murphy said but, first of all, the industry should reduce prices or look to cut costs and then maybe the Government should do something rather than the other way around. I appreciate what Mr. Murphy said about registration figures, as I have read up on this, but the people talking about all the new car registrations are those in the Society of the Irish Motor Industry.

There is a huge range of finance products available now in the motor industry. Would that not lead to an increase in sales? They have, by and large, been provided by the industry.

Mr. Denis Murphy: I would just like to make it clear that we are not members of the SIMI for the exact reasons the Senator pointed out. The manufacturers’ finance offers have been in the market since 2009. The offers have been available throughout this recession and we would not have survived without the manufacturers’ finance offers. However, the others have come through as well. Every single manufacturer has its own finance offer. One is getting everything from 0% to 1.4% to 3% to 5%. One would hardly ever get a rate above 5% whereas if one went to a bank to get a car loan, it would charge between 9.5% and 10%. These finance offers have been there throughout this recession but they still have not stimulated the demand to the level we would expect.

The problem is that disposable incomes have fallen significantly since the onset of this recession and people cannot afford the cars. I am talking about new and used cars. In the UK, the average price of a used car is £6,000 sterling while the average price of a used car in Ireland is approximately €15,000. It is a huge difference. Built into the price of a used car is residual VRT. VRT is supposed to be paid on registration of the car but it exists in the value of the car all the way through to the very end. It is a pricing issue. A tax of 43% on any product must be considered excessive, especially given the fall in disposable incomes in this country over the past number of years.
Senator Thomas Byrne: It is an issue in which I am very interested and I would be happy to communicate with Mr. Murphy.

Mr. Denis Murphy: I am very interested in it. When the Department of Finance imposed a 2% increase two years ago, we told it that it was absolutely mad. The market fell by 16,000 units immediately after a 3% increase in VRT. There is no accountability in the Department of Finance when one tries to find out who made that decision to increase VRT because it affects our livelihoods. The tax rate on cars affects our livelihoods. It is price sensitive and nobody seems to go back to analyse the decision made to see what the effects of it are.

Senator Thomas Byrne: Mr. Murphy said the figures were exaggerated.

Mr. Denis Murphy: They are totally exaggerated. I will give one example. The market is up by 11,000 this year to date. There are 6,000, 2014 cars on used car website. They have not been sold. The figures are being manipulated. The SIMI goes on about the market being ahead by 25% to 26% but it is all manufacturer registration. It is all manipulation of the market.

Senator Thomas Byrne: Where does Mr. Murphy see the market currently compared to last year?

Mr. Denis Murphy: We see it at about 5% to 7% ahead of where it was last year. We need the market to survive. To do all the things we need to do, we need the market to reach about 90,000 units.

Senator Thomas Byrne: The problem is that those kinds of figures let the Government off the hook. It is saying everything is going swimmingly but Mr. Murphy is saying it is now.

Mr. Denis Murphy: That is why we are not members of the SIMI.

Senator Fidelma Healy Eames: I thank the IFA for its presentation. It was said farm incomes had fallen to between €10,000 and €16,000, which is appallingly low. Has there been an increase in farm assist? If so, what has it been? Will Mr. Comer outline the up-to-date position on GLAS because there was a march to Agriculture House? I would like to flag the beef crisis. Will Mr. Comer outline what he believes to be the way forward there?

I was very interested in the point about reform of VRT. Mr. Murphy said 52,000 cars were registered in Northern Ireland. What does he mean by registered? Are those people resident here? Is it possible for people to register a vehicle in the North of Ireland but be resident in the South?

Mr. Denis Murphy: That is people in Northern Ireland buying cars.

Senator Fidelma Healy Eames: That will not-----

Mr. Denis Murphy: It was just to give an example. Northern Ireland sold 52,000 cars while we sold 74,000 cars. It has the same economic pressures as we have.

Senator Fidelma Healy Eames: I understand the point.

In regard to road hauliers, the figure of €400 was mentioned as a benchmark for equalising the cost of changing the HGV arrangement. Can we get an up-front assurance that trucks would re-register here? That is the minimum needed to even risk changing the rules because obviously the Government is always worried about losing revenue. The point was made that it is
losing revenue in the long run. If that type of position was taken in the Department of Finance, it would be helpful.

**Chairman:** Mr. Comer made some comments about a land leasing scheme. Will he give us some further information on that?

**Mr. John Comer:** The land leasing scheme has worked very well in regard to non-related parties. We would like to see that extended to related parties because there is a void there in terms of transition of family farms from one generation to the next. There is no facility for the retiree to earn an income. On many Irish farms, the mother and father are in their early to mid-50s and the sons and daughters are in their mid to late 20s but the father or the mother cannot take that radical decision to hand over the farm to the next generation because they need that farm to generate an income. If they leased their land to a stranger, there would be a tax benefit for them but if they lease it to a member of their own family, there is not. It would give that window of opportunity to keep the next generation engaged in farming, provide a small income for the parents, who would lease the land back, and provide a built-in protection because there is no mechanism for retirement there.

**Chairman:** What is the percentage of land being leased?

**Mr. John Comer:** I think it is to the tune of 30% of land. Some 30% of production is coming from leased land. I am not sure how that equates *pari passu* but 30% of Irish production comes from leased land.

**Mr. Eddie Downey:** It is a huge problem for us from the point of view of transfer of land from one generation to another. There is a fear factor in families of transferring farm land without knowing what will happen as divorce, in particular, and other issues have come into this. What we are looking at is a phased transfer of farm land from one generation to another where the parents and the child enter a contract that over a period of time the farm land would be transferred from one generation to another. During that transfer period, the parents would get a tax incentive in order to make that transfer. This is a very difficult area for families. It is a first attempt deal with this whole area and to create a proper incentive to make those transfers happen. Given that colleges are full and there is an influx of good and well-training young people wanting to come into farming, it is an ideal opportunity to introduce a measure such as this.

Another issue raised was the low level of income of €10,000 to €16,000, in particular on the livestock side, and farm assist. The level of use of farm assist has dropped but we see an increase in demand for it going forward. Bureaucracy is the biggest problem with it. What is needed is for the assessment to be done on a current-year basis. It is currently done on a prior-year basis, which means that one applies for help next year although the problem arises this year.

There is a lot of movement on GLAS. There is a timeframe for the roll-out of the scheme. Big issues remain to be addressed, including making sure the budget has adequate funding to ensure the GLAS scheme can be rolled out. It is a particularly important one from the point of view of farmers.

A question was asked about the current situation with beef prices. Two things are ongoing in that regard. The number of cattle has eased; therefore, we hope prices will steady and start to rise again. A beef forum has been pulled together. All parties in the beef industry are sitting around the table. It is an opportunity to put this on a firm footing. It has never been done be-
fore. We have never had a properly structured beef industry and we see it as being particularly important that the forum is promoted. The Minister must drive it and ensure we have a functioning beef industry going forward in order that farmers can have confidence in it. Processors themselves can see that by working together we will have a future in the industry, but not with the current system, which is purely adversarial.

Chairman: As a consumer I like what Mr. Murphy is proposing, but I have concerns about it as a legislator. We can discuss the matter. It would be akin to saying that buying a car next week would be cheaper for me.

Mr. Denis Murphy: That is correct.

Chairman: The question is what the cost would be to the Exchequer. We are not a car manufacturing nation. We do not make tyres either. We might make some components for cars but on a minimal basis. The car industry is not indigenous to us in the same way as it is in Great Britain, France, Germany, the United States and Italy, among others. I accept that it would be a cheaper product for the consumer, but what would the benefit be to the Exchequer?

Mr. Denis Murphy: An economic analysis has been carried out and it has been proven by more than one study that the benefit to the Exchequer would be significantly greater than the cut in taxation. We hear all the time about how the Department of Finance and the Exchequer are afraid to risk a reduction. The scrappage scheme proved that taking a risk paid off. Sales increased from 50,000 units to 90,000 units in one year. When we introduced a 2% VAT increase and a 3% VRT increase, the opposite happened; there was a drop to 74,000 units – in effect, a loss of 26,000 units over two years. We do not have a problem taking a risk in one direction in terms of increasing taxes. We seem to think we can increase taxation and the number of units sold will stay the same, but the market is so price-sensitive that if one increases the price, one will sell fewer cars. That has been proven. If one reduces the price, one will sell more cars.

The Department of Finance has a large staff. Surely someone can carry out a proper analysis rather than taking a schoolboy approach to increasing tax and multiplying it by the number of units that are sold and saying that an extra €50 million will be generated. Following the previous increase in 2012, the objective was to raise an extra €50 million but the Exchequer lost €116 million. That is an error of €166 million. In spite of the current state of the country, nobody batted an eyelid. When I recommend the exact opposite of this, which is less risky, the argument I hear is that the Government cannot afford to lose the money, yet nobody is accountable when the decision is taken to increase the tax and €166 million is lost. Those involved just sit there and do not respond.

Chairman: A counter-argument is that although the tax returns are not being generated, a significant amount of cash is not going out of the country at the same time because the product is imported.

Mr. Denis Murphy: Why increase the tax on cars rather than televisions, computers or everything else that is imported? We are supposed to live in an open market in the European Union. There is free movement of goods and services in the economy in and out of every country in Europe, except cars into Ireland. One could ask why that is the case. Why is it only cars? Why not everything else that is imported into this country? There is already 23% VAT and one is adding another 20% on to that.

Chairman: From the perspective of the retailer, if one breaks it down between the tax, the
Mr. Denis Murphy: Our business model is a very simple one. We are a low-margin, low-volume business. When one loses volume, one loses profitability. We are into the seventh year of the recession. One would wonder how much longer we will have to wait for the recovery. I do not foresee any recovery in the market due to the fact that disposable income has fallen so much. We have gone back to the situation that prevailed in the 1960s, when one nearly had to be in the top 5% of income earners to afford a car. There must be some movement.

I have so many things to do in my business. I have plant, equipment and computers to replace. I have four premises and I have renovations to make to all four. I am talking about basic stuff such as painting and repairing tiles, doors, cracked windows and leaks in the roof, but none of that is getting done because we are not making any money.

My staff took a pay reduction in 2009 of 7.5% and they have not received a pay increase since. There is no prospect of it either this year. How much longer do we have to sit and wait while we are stuck with a high level of taxation? It is not just me saying this; it has been proven over and over by independent economists that if one reduces the tax, one will increase demand. The scrappage scheme proved that. If the tax is reduced by the Government, then demand will increase. How much more proof is required? The Department of Finance is a large one and surely someone can do a proper analysis of what I say. If we increase the tax by 3% then 3% more will be gained in taxation.

Chairman: The last time I met with the Irish Road Haulage Association and Mr. Gavin, I was chairing the Joint Committee on Environment, Culture and the Gaeltacht and an issue arose about the purchase of fuel. Something similar to what we proposed was happening in Belgium or the Netherlands. What progress, if any, has been made on that?

Mr. Eoin Gavin: Thankfully, two budgets ago the Minister announced a fuel rebate for the road haulage industry. It has been applied since July 2013 so it is only 12 months in operation. The scheme has been very helpful. It has encouraged our international fleet to fill their trucks back in Ireland. I have spoken to companies such as Topaz and Tedcastles and they indicate that diesel sales in commercial fleets are up. There is a big swing back to purchasing fuel in this country. There has been a big swing also away from trucks that were operating in the black market using laundered fuel because if one purchases fuel with proper invoices there is a rebate available for tax-compliant hauliers. The scheme is very successful.

At the time of the discussions on the fuel rebate we put forward proposals that were tax-neutral. We are not looking for handouts. Other industries can put their hands up and get millions of euro, but we are very small, fragmented family businesses that do not have much clout. We try to be tax-neutral in our proposals. Road tax is a serious issue. It costs €4,000 to tax one truck in Dublin while it costs £650 to tax a truck in Newry. If one goes to Newry every day one has to pay £10 sterling on top of that. Our economists tell us on a business basis that we should move our fleet out of the country. If that were to happen, Irish exports would be in big trouble. As an island off the west coast of Europe, we would be relying on European or UK hauliers to bring Irish farm produce, fish produce, goods produced by multinational companies and pharmaceutical goods out of this island 12 months of the year, hail, rain or snow. They would not do it. They would not cross the Irish Sea.

Chairman: How many haulage firms are in the country?
Mr. Eoin Gavin: There are approximately 5,000 haulage businesses in the country operating 16,000 trucks.

Chairman: Do they range from sole traders to multiples?

Mr. Eoin Gavin: They range from sole traders to companies. The average fleet size is four to five trucks. What our members are considering is four or five hauliers getting together and setting up offices in Liverpool, Belgium, France and Bulgaria. Nobody wants to reflag or to have a Bulgarian registration on their truck hauling Irish beef out of a factory in Carlow. That does not look good for our image or our export product. However, there is a solution - namely, to bring our road tax in line with the rest of Europe and the UK. There should be three categories: €750 for a small truck, €1,000 for a medium-sized truck and €1,250 for a large one. There could be three options to pay for it. The first would be to stem the flow of vehicles out of the country. Of the 2,000 trucks that are already gone, if we got even 400 of them back the direct taxation on them alone would bring in €20 million. If a further 5,000 trucks go, they will either go out of business or leave the jurisdiction. If we are to stay in the haulage business, the options are to register outside the country or else go out of business. We cannot compete with a person in the haulage business in Newry.

The second option is to put a proper tax structure in place. If we have a proper tax structure, the Government can set about putting a pay-as-you-go system in place. The Government can implement it at the ports or at the Border crossings. A charge of €10 a day will yield €23 million. We counted the vehicles with out-of-state registration numbers coming off the ferries as well as the trucks coming from the eight main Border crossings last summer and arrived at that figure.

The third option is to charge the vehicles coming in, pay as you go, pay a levy at the port, similar to the levy we pay in the United Kingdom. When we go to the United Kingdom, we must go online and pay £10 every morning for each truck going into the North. Why not implement the same here? This system cannot be implemented here without changing our current tax structure, which must happen in this year’s budget.

If it does not happen in this year’s budget, the Irish Road Haulage Association will not be before this committee again. The situation is critical. At present 2,000 hauliers are making plans to leave the country. Many believe that spending time before the Joint Committee on Finance, Public Expenditure and Reform may be a waste of my time. The cost of fuel was about staying in business, but the road tax issue is about of moving the business out of Ireland and that is a major decision for any company.

The third option relates to commercial vehicles. At present there are 322,000 commercial vehicles, some 300,000 of which are small vans. Some of these small vans are operated by commercial business haulage companies, some are operated by people who should not be operating them as commercial vans. The motor tax on small vans is €330 compared to €4,000 for a truck. That is not very fair. The motor tax on trucks has been increased by a percentage in each budget. We are a small community of the total fleet, some 22,000 vehicles between haulage companies and people who own their own trucks, be they farmers or factories. The remaining 300,000 vans are paying very little. It is a political decision to increase the motor tax on vans by €20 or €30, in order to balance out the significant difference in the tax on trucks and make it cost neutral. I will also give two other options to make this cost neutral.

If we need an export-led economy, is €20 million a great deal of money to spend on the
haulage sector? We proved the argument that the fuel rebate was tax neutral. We can prove that our proposals are tax neutral.

**Mr. Denis Murphy:** May I add to that?

**Chairman:** Yes.

**Mr. Denis Murphy:** Mr. Gavin spoke about those in the haulage business leaving the country. I cannot see the car manufacturers staying the country for much longer. I cannot see companies such as Volkswagen Ireland, which is only hanging on, staying here. The car companies entered the Irish market based on higher unit sales. They have a big operation. I am sure Renault Ireland, Toyota Ireland and the rest all do the same. One cannot see them continuing to absorb the present costs based on the number of unit sales. It would not look good for the country if the car manufacturers upped sticks and moved - making the market in the Republic a division of Northern Ireland or Manchester. That must be on the cards. As Mr. Gavin states, it comes to a stage where the downturn has gone on for so long that those involved in sales cannot see an improvement. Something must change.

**Chairman:** I thank the witnesses Mr. Murphy, Mr. Gavin, Mr. Comer, Mr. Downey and Mr. Smith for coming before us today and delivering their presentations.

As part of the budget cycle we will be extrapolating information from the presentations and sending it on to the finance committee. I propose that we suspend the sitting to allow the meeting to come to an end and resume in private session.

The joint committee went into private session at 1.17 p.m. and adjourned at 1.18 p.m. *sine die.*