DÁIL ÉIREANN

AN COMHCHOISTE UM AIRGEADAS, CAITEACHAS POIBLÍ AND ATHCHÓIRIÚ

JOINT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND REFORM

Dé Máirt, 4 Samhain 2014

Tuesday, 4 November 2014

The Joint Committee met at 7.30 p.m.

MEMBERS PRESENT:

Deputy Michael Creed,	Senator Jillian van Turnhout.*
Deputy Pearse Doherty,	
Deputy Regina Doherty,	
Deputy Stephen S. Donnelly,	
Deputy Michael McGrath,	
Deputy Paul Murphy,	
Deputy Kieran O'Donnell,	
Deputy Pat Rabbitte,	
Deputy Arthur Spring,	

* In the absence of Senator Sean D. Barrett.

In attendance: Deputy Peter Mathews.

DEPUTY LIAM TWOMEY IN THE CHAIR.

The joint committee meet in private session until 7.40 p.m.

Scrutiny of EU Legislative Proposals

Chairman: By way of information for members, the Oireachtas Joint Sub-Committee on European Scrutiny, at its meeting earlier this evening, decided that the following proposals warrant further scrutiny: COM (2014) 328 and COM (2014) 329.

It was agreed that the following proposals do not warrant further scrutiny. These are all 2014 communications: COM (2014) 227; COM (2014) 279; COM (2014) 340; COM (2014) 367; COM (2014) 379; COM (2014) 395; COM (2014) 402; COM (2014) 403; COM (2014) 404; COM (2014) 405; COM (2014) 406; COM (2014) 407; COM (2014) 410; COM (2014) 411; COM (2014) 412; COM (2014) 413; COM (2014) 415; COM (2014) 416; COM (2014) 417; COM (2014) 418; COM (2014) 419; COM (2014) 420; COM (2014) 421; COM (2014) 422; COM (2014) 423; COM (2014) 424; COM (2014) 425; COM (2014) 426; COM (2014) 427; COM (2014) 428; COM (2014) 429; COM (2014) 430; COM (2014) 433; COM (2014) 434; COM (2014) 435; COM (2014) 436; COM (2014) 437 and COM (2014) 447.

Is it agreed to adopt the recommendations of the sub-committee? Agreed.

Pre-ECOFIN Briefing: Minister for Finance

Chairman: Before we commence our business I remind members, witnesses and those in the Visitors Gallery that all mobile phones must be switched off to avoid interference with the broadcasting of the meeting. I welcome the Minister for Finance, Deputy Noonan, and his officials to the meeting. The witnesses are here to assist the committee in its examination of the November ECOFIN meeting agenda. The discussion will begin with opening remarks by the Minister following which members may put questions to him.

I advise the witnesses that by virtue of section 17(2)(*l*) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if a witness is directed by the committee to cease giving evidence in regard to a particular matter and continues to do so, the witness is entitled thereafter only to a qualified privilege in respect of his or her evidence. Witnesses are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice 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. I invite the Minister to proceed with his opening remarks.

Minister for Finance (Deputy Michael Noonan): I thank the Chairman and committee members for inviting me to speak to them today in advance of the ECOFIN Council of Ministers meeting on Friday, 7 November in Brussels. As the committee knows, we have agreed, subject to scheduling arrangements, that I attend this committee regularly to update it and discuss developments occurring at the ECOFIN Council. The departmental officials also provide written briefings each month to the committee. I see this as a positive opportunity to engage and discuss the issues before finance Ministers across the EU.

This is the second last ECOFIN Council under the Italian Presidency, with Latvia taking over the Presidency from 1 January 2015. Much has been achieved and progressed under the Italian Presidency and I am confident that much will be achieved by the Latvian Presidency next year. The new Commission took office on 1 November and this marks an opportunity for renewed drive and commitment to work even harder on restoring our economies, getting our young people back to work and creating a better society for all. There are many challenges ahead for the new Commission and Ireland will work steadfastly in assisting its work.

In its invitation, the committee asked if I would also provide a brief overview of the proceedings of the October meeting so I will address that item first. That meeting took place in Luxembourg on 14 October. As members recall, 14 October was also budget day here in Ireland and because I was presenting the budget to the Dáil, I was unable to attend the ECOFIN meeting. In my absence, I was ably represented by His Excellency Ambassador Declan Kelleher. The ECOFIN agenda was dominated by two main areas: supports for investment and taxation.

Turning first to investment, the Commission and the European Investment Bank, EIB, presented a joint note on promoting investment. This follows on from the informal ECOFIN meeting in September, when a task force was established. This task force will allow member states, the Commission and the EIB jointly identify viable investments of European significance that are not being realised currently for economic, regulatory or other reasons. It is intended that the task force will deliver its final report by the end of December. The October Council discussed measures to support investment as part of the EU's response in promoting competitiveness and growth, and Council conclusions were agreed and published after the meeting.

Looking forward, I am confident there will be opportunities for investment in Ireland arising out of this task force, and the Department is engaging actively with it to ensure this is the case. Ireland's engagement with the EIB is very positive and funding for Ireland has increased steadily in recent years. The positive engagement between Ireland and the bank was aptly demonstrated last Friday when President Werner Hoyer of the EIB travelled to Ireland, along with Minister Schäuble and Kreditanstalt für Wiederaufbau, KfW, bank, to sign the loan for the Strategic Banking Corporation of Ireland, SBCI. The EIB and Ireland are strongly committed to working together to enhance the bank's activity in the country, and this commitment is clearly beginning to bear fruit.

There was also a brief discussion on a presentation by the Commission on the importance of research and innovation as sources of renewed growth. The Commission outlined proposals on how to better exploit the potential of research and innovation as drivers of economic growth. The discussion will continue at the Competitiveness Council in December where it is hoped to adopt conclusions. Ireland fully supports the proposals of the Commission and recognises its importance to growth in the economy.

There was also an item on the agenda relating to banking union and the contribution to the single resolution fund. The Commission updated the Council on the preparations for implementing legislation on contributions by banks to resolution funds established under new EU rules. Banks will have to make annual contributions to resolution funds established under the bank recovery and resolution directive and under the regulation on the single resolution mechanism. Contributions will be calculated on the basis of the banks' liabilities, excluding own funds and covered deposits, and adjusted for risk. Work on this area has largely been completed.

In respect of taxation, the Council agreed to a draft directive extending the mandatory automatic exchange of information between tax administrations, thereby enabling them to better combat tax evasion and to improve the efficiency of tax collection. The proposal brings interest, dividends and other income, as well as account balances and sales proceeds from financial assets, within the scope of the automatic exchange of information. It thus amends the directive on administrative co-operation in the field of direct taxation. It is aimed at remedying situations where a taxpayer seeks to hide capital or assets on which tax is due. Unreported and untaxed income is considerably reducing potential national tax revenues, and cross-border tax fraud and tax evasion have become a major focus of concern both within the EU and at global level. The automatic exchange of information is an important means for strengthening the efficiency and effectiveness of tax collection, and the new directive thereby sets out to meet that challenge.

Only last week I travelled to Berlin and signed the multilateral competent authority agreement, which demonstrates Ireland's firm commitment to automatic exchange of information. It is another example of how Ireland supports the automatic exchange of information between tax authorities as an important tool in the fight against tax fraud and evasion and we look forward to its implementation at EU and global level.

Finally, in respect of energy taxation, the Council debated a proposal to restructure the taxation of energy products and electricity in line with EU policy objectives regarding energy and climate change. The Commission's proposal amends the existing energy taxation directive in order to promote energy efficiency and the consumption of more environmentally friendly products. Noting the divergent positions of member states on the key issues covered by the proposal, it was decided to return to the issue again at another meeting.

I hope the committee found that brief overview of last month's meeting helpful. I will now turn to the November ECOFIN, which will take place on Friday. I will be happy to take questions and observations from members after I have outlined the key issues that are likely to arise at Friday's meeting. The agenda that has been issued is still very much a draft and there can be changes between now and the meeting in respect of content and the order of the discussion. As always, work is continuing at the level of officials and, therefore, there can also be more substantial changes in how the discussions will evolve.

The agenda in its current format will begin by considering an item on the revision of VAT and GNI own resources balances 1995 to 2013. This item relates to the EU budget and flows from a draft amending budget tabled by the Commission on 17 October, which mainly provides for an adjustment of member states' EU budget contributions on foot of the annual technical rebalancing payments in respect of macro-economic, VAT and customs duty revisions undertaken for all member states. These rebalancing payments are called up automatically every year on 1 December in accordance with EU own resource legislation. It is anticipated that a general discussion will take place with the Commission taking the lead. While recognising that all member states are expected to abide by the budgetary rules in addressing any immediate political issue, we will be constructive in working with colleagues to seek a pragmatic solution that could be accommodated within the own resource legal framework.

The agenda will then move onto the "legislative deliberations", which will take place in public session. Based on the draft agenda, three items are scheduled for discussion, all of which are related to taxation - the parent subsidiaries directive, the financial transaction tax, FTT, and the standard VAT return. The parent subsidiaries directive was introduced to avoid double taxation of certain companies in the Single Market. At Friday's meeting, Ministers will aim to reach a political agreement on the basis of an overall Presidency compromise text for a common minimum anti-abuse provision, which will be examined and discussed thoroughly.

On the issue of the FTT, Ministers will be provided with an update by the Commission on the state of play with regard to the work on the tax. In 2013, some 11 member states agreed to work towards the introduction of such a tax through enhanced co-operation. The ECOFIN last discussed this issue in May this year, when ten of the Ministers issued a joint statement reaffirming their commitment to introducing the tax and committed to reaching agreement by the end of the year on the initial application phase of the FTT by 1 January 2016. The Presidency took note of this joint statement by the Ministers of the ten participating countries and confirmed that all relevant issues would continue to be examined by national experts. It noted the intention of participating countries to work on a progressive implementation of the tax, focusing initially on the taxation of shares and certain derivatives. However, progress to date by the participating member states has been slow and there are still many open issues around the scope of the tax and the distribution of revenues among member states.

The VAT proposal aims to introduce a standard VAT return throughout the EU with the aim of reducing burdens on business. The current VAT directive has been identified as burdensome for SMEs. This proposal was last discussed by Ministers at the Slovenia November meeting last year. At Friday's ECOFIN, Ministers will be invited to give their views on the future handling of the proposal and to agree a draft set of conclusions. However, progress has been slower than hoped since last November, and questions are being raised as to whether the costs involved may outweigh the benefits. We will discuss these issues at the meeting and, hopefully, make headway. In general, I am strongly supportive of the concept of measures that make life easier for business. However, like many other member states, we are mindful of proposals that might not lead to savings and could lead to additional administrative burdens for business and, therefore, we will be keeping a careful watch on how this proposal develops.

I refer to non-legislative activities based on the draft agenda before us. Two items are scheduled for discussion. These are Council conclusions on EU statistics and on the preparation of the 20th conference of Parties to the United Nations Framework Convention on Climate Change, UNFCCC, in Lima. The Council conclusions on EU statistics are a regular item at this time of year and Ministers will be asked to adopt Council conclusions on the annual statistical package. As the work on this item was progressed and prepared by officials, it is not envisaged that a detailed discussion will be required on this issue.

At the meeting, Ministers will be asked to adopt Council conclusions on climate finance ahead of the UNFCCC conference in Lima in December. The Council will consider a set of draft conclusions which reflect the common EU position for the Lima discussions. The conclusions outline the parameters of the EU's engagement in international climate finance. Work is under way at international level to develop commonly agreed frameworks for measuring, reporting and verifying climate finance flows. The conclusions have been prepared by officials and, therefore, a long discussion is not expected at ECOFIN.

I hope that the committee has found the brief summary of the outcome of last month's ECOFIN informative and that the outline I have given on this month's agenda gives a good insight into the current issues before the Council. I thank members for their attention and I will be happy to respond to questions or observations that they may have.

Deputy Michael McGrath: I welcome the Minister and his officials and I thank him for his opening remarks. I would like to put a few questions regarding the Irish position on some of the issues on the agenda. I do not know much about the parent subsidiaries directive. Is it acceptable to Ireland as drafted or is the Minister proposing amendments to it?

Deputy Michael Noonan: Agreement will be sought to agree a minimum anti-abuse provision under the directive. This will limit the benefit of the directive, which seeks to ensure there is no double taxation when companies pay dividends to their subsidiaries. They need to be genuine business transactions. Ireland's position, which we have already stated, is that we have strong anti-avoidance rules in domestic law. We support the proposal because we do not believe it will affect us. Our policy is such that we agree with what is happening in any event. We already have the rules in domestic legislation.

Deputy Michael McGrath: Let me move on to the financial transaction tax, FTT, which is also one of the legislative measures on the agenda on Friday. As the Minister indicated, ten or 11 member states signalled initially their intention to go ahead under the enhanced co-operation mechanism. They include France, Germany, Italy and Spain. The Minister's stated position is that Ireland will remain outside the FTT arrangement, for now at least, primarily because of the United Kingdom's decision to remain out of it and the fear that we might be put at a competitive disadvantage given the mobile nature of financial services, particularly regarding investment. Does this remain the Irish position?

Deputy Michael Noonan: The discussion will involve a state-of-play report on discussions regarding the FTT proposal. As I said in my speech, there were originally 11 participants. One has now dropped out and the number is reduced to ten. However, progress on the FTT proposal remains slow, with many open issues to be resolved. Ireland is not one of the countries intending to implement the FTT. We believe an FTT must be implemented at global level to be effective, although we could accept an FTT if agreement were reached across the 28 European Union members. With the United Kingdom not participating in the FTT, it would be very difficult for Ireland to participate. As the Deputy knows, there are 30,000 people working in the financial services industry in Dublin. If there were an FTT in Dublin that did not apply in the City of London, there would be a migration of business from Dublin to London without any doubt.

The conversations among the participating members are now about taxing shares and certain derivatives. We already have stamp duty of 1% on share transactions. Therefore, in effect, we have a stronger FTT than any that is now being discussed among the ten participating members. The United Kingdom is in a similar position. It has 0.5% stamp duty on share transactions. When I last talked to some colleagues about it, it was suggested that stamp duty of approximately 0.1% or 0.2% should apply to share transactions in Europe. That was a French proposal, if I recall correctly. I do not believe the position has moved very much beyond that.

With all the talk, discussion and positioning, and with our having been regarded as not participating, it must be borne in mind that historically we have had a stronger FTT than what is envisaged by the ten participating members, with the exception that they intend to apply the share stamp duty-type levy to some derivatives also. As yet, however, I do not have a specific list of what derivatives they have in mind. Moreover, it is fair to say that Europe very often moves on the level of principle by introducing a measure at a very low level, and then it builds on it. Some of the leading champions of an FTT might envisage introducing stamp duty on shares and derivatives at a very low level with a view to increasing it subsequently. We will keep watching this. If it suits us, we will join. If it does not, we will not. At present, it would not be in our interest, particularly for the Irish financial services industry, especially that in Dublin, which has 30,000 employees.

Deputy Michael McGrath: My instinct would be to agree with the Minister but I must ask whether there is evidence to back up that assertion. The Minister outlined what is clearly the Government's belief. Has the potential impact of the FTT on Ireland been examined independently?

Deputy Michael Noonan: It is the strong advice from the industry and those who promote Ireland, particularly Dublin, as a location for financial services industries. These things move on very tight margins. One should consider the proximity of London. The Deputy is very well aware, because we discussed this previously, that for hundreds of years the United Kingdom and Ireland have had a single labour market. Certainly since the Act of Union in 1800, we have had a single labour market. Part of the settlement in 2002 was that the free travel arrangements, which only became part of the European Union more recently, were the norm between Ireland and Great Britain. Therefore, the common labour market idea maintained. There are obviously variations on that depending on the skill set of workers. However, in the case of financial services, it is certainly one labour market. For salary increases, people can move out of Dublin to London. It is less than an hour by flight. Mr. Willie Walsh was with me last week in a different context and told me six flights per day are being put on from Dublin Airport to London City Airport. One can go into the city in approximately 50 minutes. One can see the propensity for movement and the migration of industry. The financial services industry, like many other modern industries, is very mobile and based principally on the ability of the workforce. The key ingredient in financial services is the ability of the employees. They do not really have a raw material. It is a very mobile industry.

For the sake of completeness, I must outline that the current stamp duty on shares results in a yield of €250 million per annum. An FTT of 0.1%, which is the latest that has been proposed, would actually result in a loss of revenue to the Exchequer.

Deputy Michael McGrath: If it replaced the stamp duty of 1%?

Deputy Michael Noonan: It is effectively the same thing. It would reduce the figure to €25 million, or one tenth.

Deputy Michael McGrath: The October agenda dealt with some aspects of banking. I wish to ask about the retroactive bank debt deal. Am I correct in saying today is the day on which the ECB takes over full powers as the single supervisory authority, and that the possibility of an application to the ESM opens today?

Deputy Michael Noonan: That is correct but, with the formalities, it might be three days' time. There are two dates, namely 4 November and either 7 November or 8 November. In general terms, the Deputy is correct in that the window is opening this week.

Deputy Michael McGrath: Now that the window has opened and the Government could submit an application at any time, what is its disposition on that question?

Deputy Michael Noonan: We have not made a decision on it. I will try to obtain more information at the margins of the Eurogroup and ECOFIN meetings on Thursday and Friday. We will proceed cautiously, as I outlined.

Deputy Michael McGrath: Is there a Eurogroup meeting on Thursday?

Deputy Michael Noonan: They usually go together. This committee scrutinises ECOFIN meetings, but the two go together, and the Eurogroup meeting always precedes the ECOFIN meeting. The Eurogroup meets on Thursday afternoon. Greece will probably be the main item on the agenda. The meeting may run late, depending on whether there is agreement. The following morning, there is usually a series of meetings at which people meet within their party groups. We, being in the European People's Party, meet at approximately 7.30 a.m., Brussels time. The ECOFIN meeting is at 9 a.m.

Deputy Michael McGrath: On the question of the ESM application, is it the Minister's intention to get a sense of the mood music and talk to people on the fringes informally?

Deputy Michael Noonan: I will talk to individuals. As usual, however, there is a huge turnover of finance Ministers. At the upcoming meeting, there will be many new finance Ministers I need to greet and introduce myself to so as to establish some kind of relationship. One of the current difficulties, which I mentioned before, is that there are 18 Eurogroup countries. I was a participant for three years last March and I am the second most senior Minister there now. I am on my seventh Greek finance Minister. I am not making a joke. I am just saying it is very hard to build working relationships when there is such a turnover of Ministers. The other factor is that, because the political side keeps changing, the Commission gets stronger. The Commission is made up of the permanent people there and they are the people with the experience and the continuing flow of information. It is one of the concerns I have about the European bureaucracy. It is the fault of the member states for not having greater longevity for the terms of office of their individual Ministers. There seems to be a practice in Europe to move people very quickly from governments. It is not because they are fired; they have just moved on to another Ministry. Two years would be considered quite a significant period in an individual Ministry. Then it moves on.

Deputy Kieran O'Donnell: I want to address a couple of points. I note that in the October meeting, ECOFIN discussed the issue around the bank, banking union and the bank recapitalisation. Developing on what he has already discussed with Deputy McGrath, what are the Minister's thoughts on the process that would be involved in terms of Ireland getting to the point of making an application for retroactive recapitalisation - the process involved in the European context?

Deputy Michael Noonan: The European Stability Mechanism, ESM is a new institution. Its primary function is to act as a backstop to protect the euro currency in the event of another currency crisis across the Union. In addition to that, as a result of discussions at Eurogroup and ECOFIN level, an additional set of powers was attached. Those powers were to do with the recapitalisation of banks. The European Stability Mechanism was empowered to recapitalise banks directly. The significance of doing this directly is when the European funds recapitalised the Irish banks, it was done through the sovereign. The money was assigned to the sovereign Government. The same was true in Greece and Portugal. What is in question here - the "directly" - is that a bank would be directly recapitalised. Of course, the whole methodology of resolution has changed in Europe. The policy has done a 360° turn, or a 180° turn, or whatever is the opposite point on the circle.

Deputy Kieran O'Donnell: To be more specific, direct recapitalisation in terms of current activities for banks appears to be relatively straightforward. I wish to deal specifically with the Irish situation, our banks being in a sound position, and the possibility of retroactive recapitalisation. If that were to become an option, what is the process the Minister sees developing in Europe? Guidelines have been put in place for current recapitalisation but not retroactive recapitalisation. Were Ireland to consider making such an application, given views that have been expressed and the fact that Europe has not put in place a mechanism, that is, guidelines, in terms of retroactive recapitalisation, how does the Minister anticipate this evolving in order that Ireland can be in a position to consider making such an application?

Deputy Michael Noonan: I understand what the Deputy is saying but there is a context. In the interests of briefing the committee, I wish to give the context. The policy has changed dramatically in Europe. When the Irish, Portuguese and Greek banks got into trouble, the process was bail out, where taxpayers' money bailed out the banks. Now it is bail in, where the assets of the banks are systematically rolled in on a waterfall - on a hierarchy - starting with shareholders and ending up with certain kinds of corporate depositors. It is only beyond that that there is a resolution fund that gets rolled in, and it is beyond that again-----

Deputy Kieran O'Donnell: The Minister explained that well at the previous meeting. I wish to deal specifically with the retroactive issue, because the Minister went through that other issue in great depth at our previous meeting on this topic. More specifically on the retroactive aspect, which is obviously-----

Deputy Michael Noonan: Mr. Regling is the director of the ESM. One starts off by having an informal discussion with him and the regulation says that it will be assessed on a case-by-case basis. Therefore, one would ask what way we proceed here. No one has ever done this before. It is only coming into effect. They said they would establish the procedures and rules on a case-by-case basis and it requires unanimity to go through.

Deputy Kieran O'Donnell: Does the Minister anticipate-----

Deputy Michael Noonan: There would not be unanimity at the moment. Everyone knows that.

Deputy Kieran O'Donnell: Does the Minister consider it possible, and he will be looking at it in the margins, to give an indication of a timeframe at this point?

Deputy Michael Noonan: No.

Deputy Kieran O'Donnell: Is that because these processes take time in terms of discussions?

Deputy Michael Noonan: Any negotiation needs time, especially in Europe. Usually timelines are quite long. Processes are slow. To tie one to a timeline is making sure nothing happens that is useful. I said previously we have other options.

Deputy Kieran O'Donnell: I am looking at it specifically in the context of what is up for discussion and the Minister is saying he is having discussions on the margins.

Deputy Michael Noonan: No. I did not say that, at all. I said I will have conversations on the margins.

Deputy Kieran O'Donnell: Conversations on the margins then. I wish to move on to the issue of revision of VAT and gross national income, GNI, own resources balances from 1995 to 2013. Will this particular proposal have an impact on Ireland's contribution to the EU budget? What is the update on that?

Deputy Michael Noonan: This has been highlighted with comments made by the UK Prime Minister, Mr. David Cameron, when an extra demand was made on the UK Government as a result of the adjustments to the balancing repayments required from different countries. I will read the briefing note to the Deputy. I think that is the best thing to do.

The UK has requested that this item be added to the ECOFIN agenda. This follows Prime

Minister Cameron's statement to Parliament that the UK will not pay a €2.1 billion balancing payment due on 1 December. ECOFIN Ministers now have an opportunity to discuss this issue and any proposal the Presidency may bring. A draft amending budget was tabled by the Commission on 17 October. The main part of this proposal provides for an adjustment to member states' EU budget contributions on foot of the annual technical re-balancing payments in respect of macroeconomic VAT and custom duty revisions undertaken for all member states. These re-balancing payments are called up automatically every year on 1 December in accordance with EU resource legislation. The UK has expressed its objection to the perceived magnitude and short notice for the 2014 balancing payment. It has requested the Commission to defer the formal request for the 1 December balancing payment and has asked it to investigate a possible phased payment approach. Ireland's position is that all member states must abide by the budgetary rules which they have agreed. In relation to this year's re-balancing exercise, we note this is a sensitive budgetary matter for certain countries, in particular the UK, particularly in relation to the timing as well as the magnitude of the proposed balancing statements. While recognising that all member states are expected to abide by the budgetary rules in terms of addressing any major political issue, we will be constructive in working with colleagues to seek a pragmatic solution which can be accommodated within the own resources legal framework.

What that means, in simple language, before I have conversations with the UK Chancellor of the Exchequer, Mr. George Osborne, is that my position is that every country should pay the legal amount. I do not think there is any necessity that it should be paid on 1 December. I would be quite open to a discussion about later payments and phased payments if that meets the needs of participating countries. In our own case, there was an adjustment for Ireland as well. An extra €6.5 million is required. I intend that we will pay that by 1 December.

Deputy Kieran O'Donnell: In layman's terms, the Minister believes the way it has been calculated is correct but in terms of the time period over which it is paid, the Minister has an open mind.

Deputy Michael Noonan: We have no say on the calculation. The calculation is done at European Commission level and we know the framework used to calculate it. No one is stating the sums were not done correctly. It is there.

Deputy Pearse Doherty: The question really is-----

Deputy Michael Noonan: There are issues about the manner in which the UK authorities were informed. I understand there was a leak to one of the business newspapers and this caused much difficulty. The additional amount in respect of Ireland is small enough and we will pay it on the date because we are familiar with the rules and their basis. We understand the UK now has a difficulty, some of it political, and if this difficulty can be resolved on the basis of the timeline, I will not object to it.

Deputy Pearse Doherty: I hope it was an oversight on the part of the new Chairman that he called Deputy O'Donnell first. It has always been the practice in the committee that when the Minister is before us, the Opposition speaks first.

Chairman: The Deputy is correct.

Deputy Pearse Doherty: I will pick up on the latest issue. The recalculation of our contribution based on our GDP under the European System of National and Regional Accounts, ESA 2010, rules is €6.5 million. This is the combined contribution based on reclassification in recent years.

Deputy Michael Noonan: ESA95.

Deputy Pearse Doherty: It is based on ESA95.

Deputy Michael Noonan: Yes.

Deputy Pearse Doherty: It is the entire contribution as a result of the reclassification; it is a cumulation of the reclassification over recent years.

Deputy Michael Noonan: It is an ongoing process but this is the payment requested on 1 December. It is analogous to the newspaper reports on the UK's €2.1 billion payment. I have seen other figures attributed to the UK, which would be less than €2 billion.

Deputy Pearse Doherty: The UK has obviously followed the same procedure as we have in terms of the reclassification of GDP. We were one of the first countries in Europe to do it and our bill is €6.5 million, while that of the UK is £1.7 billion or €2 billion. With regard to the UK's position, I noted what David Cameron stated, and I am sure as Prime Minister he chose his words very carefully. He made a point about the time. The Minister's suggestion is to compromise and allow an expanded timeframe for the UK to pay it, but pay it nonetheless. Does the Minister see any attempt to open up how the calculation of European contributions are made with regard to gross national income, GNI? Prime Minister Cameron has made this point and has suggested countries which do better than expected are penalised. From the Minister's point of view and an Irish point of view, is this a debate he would like to see closed down?

Deputy Michael Noonan: At ECOFIN, 28 countries sit around the table. I have had no contact from the British authorities on this issue. It is Tuesday evening and we will be there on Friday. I met George Osborne last Wednesday in Berlin and spoke to him for a little while. He did not raise the issue with me. I assume that on Thursday night or Friday morning we will have some level of contact. The purpose of what we are doing here is briefing the committee and I want to brief it on the Irish position.

I have another note which states the figures are based on the GNI calculations by member states and are based on an agreement reached after many years of discussion. The process of calculation involved a negotiation but is now agreed. It is also a matter of law.

Deputy Pearse Doherty: I understand it is a matter of treaty law. My point is while the British stated they definitely would not pay it within the timeframe, they also opened a wider debate on how it is calculated. I appreciate it was reached through negotiation. The reason I ask is that I questioned the Minister previously on how our EU contributions are calculated and the fact that they are based on GNI. I appreciate this is better than calculating them on GDP but a big issue is raised with regard to us making an additional contribution based on redomiciled plcs here. In 2011, our contribution to the European budget was €45 million, in 2010 it was €40 million and in 2009 it was €15 million as a result of redomiciled plcs. If the debate were opened up, we do not know where it would end. Is the Irish position that the debate is settled in terms of how the calculation is done and we do not want to open it up, as Prime Minister Cameron has suggested it should be because it penalises those countries which are doing better?

Deputy Michael Noonan: The debate is settled from the Irish perspective. We do not want to open it up. I have had no official communication from the UK authorities.

Deputy Pearse Doherty: Which suggests they are not-----

Deputy Michael Noonan: That is not my point. I am relying on newspaper reports on the UK position. They seem to state the first objection was to the amount. It then seemed to move from this and timing was the issue, and then the issue was that the question of calculation might be opened. I do not know whether this is background briefing or a policy position. I do not want to comment on the UK position until I receive formal communication setting out its position. The Irish position is we are being asked to pay an extra €6.5 million. In accordance with law, we are obliged to pay it. We will obey the law and we will pay it. We will not ask the Commission to reopen the method of calculation. If it is raised as an issue, we will oppose reopening the method of calculation.

Deputy Pearse Doherty: I appreciate that. Obviously this is in a wider context. Yesterday, Angela Merkel made a statement on Britain's demands on the free movement of persons and the referendum which will take place. This is why it is not just a case of financial consideration. There is also the implication of how the British people will vote in the referendum and the impact it will have on our own fortunes. It will be interesting to watch how the negotiations progress. Does the Minister expect a conclusion at ECOFIN on this matter?

Deputy Michael Noonan: It will go on to the budget Council on 14 November. Normally I do not attend the budget Council meetings. The former Minister of State, Brian Hayes, used to attend. He will be succeeded by the Minister of State, Deputy Simon Harris.

Deputy Pearse Doherty: The European Economic Forecast for Ireland for autumn 2014 is very positive. Obviously the forecast is not as positive with regard to the Continent. The stagnation is very worrying and has impacts for us as a trading partner. What jumped out at me from the economic forecast for autumn 2014, which predicts a general government deficit of 2.9% of GDP, and I know the Government is looking at figure of 2.7% of GDP, is that it suggests the deficit will increase next year based on a no-policy-change assumption. Will the Minister explain this conclusion?

Deputy Michael Noonan: I have not seen the basis of the calculations. Our economist, Mr. John McCarthy, will speak on this point.

Mr. John McCarthy: There is a different forecast for nominal GDP. The Deputy is referring to 2016 as opposed to 2015 with regard to an increasing deficit.

Deputy Pearse Doherty: Yes.

Mr. John McCarthy: He is right to say it is on a no-policy-change basis. It is also on the basis of a different nominal GDP forecast and different labour market forecast. There are many moving parts which is why there are differences between the two.

Deputy Pearse Doherty: Is the overall economic forecast for the Continent a concern for our fiscal position?

Deputy Michael Noonan: The trend is better than one might have anticipated earlier in the year. I had a look at it today and growth forecast goes from 0.8% to 1.7% in 2016. The trend is in the right direction. It is positive. Obviously one hopes it will be better. The factors driving the Irish economy are fairly well known. Ours is an export-led model and the UK and US are growing quite strongly. The US is at 3.5% while the UK is approaching 3% and they are big export markets for us. As well as that, our position in the business cycle is that we are coming out of a very deep recession. Spare capacity in an economy when that economy begins to grow is always a significant factor in growth. If one has spare capacity, one does not have to pay extra to create capacity. One has labour resources available, that is, people who want to go back to work. One has liquidity sources seeking investment opportunities. One also has underperforming industries that can expand. We are in a lucky position at the moment in that there is a coincidence of events. In terms of domestic policy, as the Deputy knows, we have dealt with the domestic economy sector by sector and in each budget-----

Deputy Pearse Doherty: I appreciate all of that. I just wanted to look at the figures because I know time will be against me here.

I have raised the issue of retroactive recapitalisation umpteen times with the Minister and we will probably have the same debate about it now. I was involved in negotiations at St. Andrews and have been on the fringes of other negotiations and I know how a lot of this works. I know there are both informal and formal contacts. As I listened to the Minister talk about side meetings and so forth, I was thinking about sending one's children to school. One does not wait until 1 September to decide which school one's children will attend. The application process opened today or will open within the next 48 hours, but it seems to me that the Minister is telling this committee that none of this work has begun yet. No informal contact has begun and the Minister has not spoken to anyone to ask how this process would work. It is not as if they were waiting on anything. There is no new information available as a result of the doors opening today. This reinforces my conviction that the Government has given up hope on this issue. Can the Minister say anything to this committee to suggest there has been work ongoing to determine how this process will work? Is there some type of documentation or analysis done within the Department so that if we get positive signals - the right type of wink and nod from our friends in Brussels - an application will be ready to be processed? Is any of this happening or is this just a game of drag-this-out?

Deputy Michael Noonan: Actually, the door only opens on 8 December. While there are legal provisions being put in place this week, the actual opening of the ESM for business is on 8 December. It is only after that date that action can be taken. Of course we are doing evaluation work, as we always do in the Department, but it is a matter of judgment on when and how to proceed. As I have said to Deputy Doherty before, the situation is significantly different now from what it was in June of 2012. Banks in Ireland now have a value. After the stress tests, AIB is more valuable again and the shareholding the State has in Bank of Ireland is quite valuable. One issue is that of value and the second issue is who we want to run the banks in Ireland. Do we really want people who run a fund in Brussels-----

Deputy Pearse Doherty: I have heard that before and I would just say that-----

Deputy Michael Noonan: It is a very good point.

Deputy Pearse Doherty: It is a very good point, yes, but does the Minister know who runs AIB at this point in time? The Minister does.

Deputy Michael Noonan: I do not.

Deputy Pearse Doherty: Yes, the Minister does.

Deputy Michael Noonan: No, I am the shareholder.

Deputy Pearse Doherty: Yes, the Minister is the shareholder and the scenario would be the same, with the ESM being the shareholder if the Minister were to transfer those shares to it. AIB would still have a board, however, which would run the bank. I suggest the Minister's analogy, while it sounds very good, does not stack up in practice. Perhaps the ESM would have more experience in running banks than the Minister would have or perhaps not, but that issue is not relevant.

Deputy Michael Noonan: Maybe because I live here and my children and grandchildren live here, I have a stronger interest than someone who lives in Luxembourg.

Deputy Pearse Doherty: Perhaps the Minister should speak to some of the people who have been evicted by those banks about his interest. They might present him with a different scenario.

Deputy Michael Noonan: The Deputy is losing the debate when he starts throwing dirt.

Deputy Pearse Doherty: It is not dirt. It is the reality for people who are homeless as a result of this.

Deputy Michael Noonan: Deputy Doherty has been searching for four years for a good case to illustrate bank evictions but has not come up with one yet.

Deputy Pearse Doherty: That is an absolute insult. I got a phone call two weeks ago from someone who is homeless and who has been living in hotels and bed and breakfast accommodation in Roscommon. He was evicted from his house by a bank which foreclosed on him. The local authority has told him that it can no longer afford to keep him in that type of emergency accommodation. That person was on national television recently. The Minister should not try to throw such an accusation at me. I am not trying scrape the bottom of the barrel here. This is the reality. It might not be the case for every single person out there but the policy of banks in this country has led to evictions and the Minister knows that.

Chairman: I will have to stop this debate at this point and call Deputy Paul Murphy.

Deputy Paul Murphy: To start with the last ECOFIN meeting, there was a belated acknowledgement of the significance of the crisis in terms of the decline in investment, an issue which was missing from the debate for a period but is finally being recognised. That decline has been in both public and private investment, which is central to why we are seeing a continuation of the crisis and why it has been as deep as it is in this country in particular. The wording of the statement from ECOFIN with regard to public investment suggests that ECOFIN is washing its hands of it. It "shares the concern" about the decline in public investment. The decline in public investment in Europe is significant and is happening at a time when public investment in other developed capitalist countries has generally increased as a percentage of GDP. That is not an accident. It is a policy choice. It is a choice by the European Commission and by right-wing governments to pursue austerity policies which, by definition, include a decline in public investment. More than that, it is written into law with the likes of the six-pack, the two-pack, the fiscal stability treaty and so forth. Does the Minister agree that unless we move away from those policies of austerity, we are not going to be able to deal with the decline in public investment? Instead of what is relatively small beer in terms of the European Investment Bank, what is needed is a significant European investment programme.

Deputy Michael Noonan: I do not agree with the Deputy's narrative that right-wing governments in Europe caused and deepened the crisis. When Greece went under, it was ruled by the socialists. They were far to the left of the social democrats we know commonly in European governments. When Portugal went under it was ruled by the left and the extreme left, so the people-----

Deputy Paul Murphy: No it was not. Who was in the Portuguese Government at that time? The extreme left was not in the Portuguese Government.

Deputy Michael Noonan: When the rescue commenced in Portugal, the Government had changed but the people who caused the crisis and drove the country under were part of an extreme left government. The Deputy should check the facts.

Deputy Paul Murphy: They are the facts. Neither the PCP nor the Left Bloc has ever been in government.

Deputy Michael Noonan: The Deputy should look at the data that were published today and check the composition of the governments in countries where the economies are growing and the composition of the governments in countries where the economies are not growing. In terms of the big countries, namely, France and Italy, and particularly France which has a left-wing government, they do not seem, so far, to be achieving the great heights that Deputy Murphy would like to see when left-wing people are in power.

Be that as it may, to answer the Deputy's question, there is a task force examining the potential for investment. It will report to the December meeting. It was sparked by the declaration by the new President of the Commission, Mr. Juncker, that a €300 billion fund should be invested across Europe, particularly in necessary infrastructure. That is a significant sum and is the first amount of money that has been placed on the table officially by the Commission. The President of the Heads of State and Government, the former Prime Minister of Poland, has put a figure of €700 billion on the table. I presume, therefore, the minimum is €300 billion and whether it will work up from that will be a matter for the Heads of State and Government. What needs to be done is to develop projects that will give a real rate of return. I believe that part of the package of investment should also deal with structural failings and weaknesses in some of the European economies as well as some regulatory issues. It should not just be a case of countries saying they have shovel-ready projects and then they are given a bundle of money to spend as they see fit. The object of this key investment will be to get real growth going in some of the European economies where there is no growth at present.

Deputy Paul Murphy: Just to enlighten the Minister, I would not consider any of the governments in Europe to be left wing. Yes, the Labour Party's sister parties are in government and have been in government, but they are not left wing here or in Portugal or Greece.

Deputy Michael Noonan: We are not left, we are centre right.

Deputy Paul Murphy: But the Labour Party is not----

Deputy Michael Noonan: We are in the European People's Party.

Deputy Paul Murphy: The sister parties of Fine Gael's coalition partner, in the family of Socialists and Democrats, are also not left-wing any more, unfortunately. They pursue the same austerity policies as the centre-right.

Deputy Michael Noonan: Which European parties does Deputy Murphy regard as left wing?

Deputy Paul Murphy: I regard the parties in the Confederal Group of the European United

Left/Nordic Green Left, GUE/NGL, in the European Parliament as being left-wing, as well as the parties within the European left. If one checks the record, just to defend the honour of the genuine left in Portugal, which Deputy Noonan has described as the extreme left, neither the Portuguese Communist Party nor the Left Bloc was in the Portuguese Government. That is a fact.

Deputy Michael Noonan: No, they caused the crash.

Deputy Paul Murphy: No they did not, they were not in government. Let me move on. Private investment has also collapsed, more so in this country than elsewhere in Europe. It comes at a time when there are large cash mountains in Europe created by major corporations. There was an article recently in the *Financial Times* about a survey by Standard & Poor's saying that the top 2,000 listed corporations had a mountain of cash of €4.5 trillion between them. The problem in terms of private investment and big business is not access to cash. It is a choice, based on profit, not to invest at this stage. What does the Minister suggest to do about that? Does it not point to a fundamental problem about private ownership of this wealth and the need for major public investment?

Chairman: Before the Minister answers that question, I am not sure it is quite what we call pre-ECOFIN discussion. The Deputy has had a nice logical discussion there for the last couple of minutes which I have allowed. If we want to stick to the agenda, we can. The Deputy might keep that in mind when we are having these discussions.

Deputy Paul Murphy: My next questions are more----

Deputy Michael Noonan: By the way, I would like to make a point. Taking Ireland as an example, private investment in Ireland is plus 14% this year.

Deputy Paul Murphy: But down 70% versus 2007.

Deputy Michael Noonan: That is a very significant increase in private investment in Ireland. It would be nice if we acknowledged that we have the highest growth rates in Europe today, at 4.6% according to the Europeans. We think they are higher than that ourselves. Private investment has gone up and every indicator in Ireland is pointing in the right direction now. We must be doing something right.

Deputy Paul Murphy: I will move on. In terms of the financial transaction tax, FTT, am I correct in quoting the Minister as saying the Government decided not to go along with it on strong advice from the industry? Does that mean the Minister literally asked the IFSC and the Clearing House Group if they thought we should introduce the financial transaction tax, and they said "No", that it would be a bad idea? Does the Minister think he could ask any industry, in this country or anywhere else, if they would like to pay more tax and if they thought that would be a good idea? What answer does the Minister think he would get? He did not apply a similar test to the water charges, by asking people if they would like to pay them, because the answer he would get would clearly be "No". Further to the question Deputy McGrath asked, what is the basis in actual research upon which the Minister has decided the Government should not participate in the FTT, even if the UK is not participating?

Deputy Michael Noonan: I always consult widely, and when foreign direct investment is concerned the starting point is the IDA. We also consult other Departments that would have an interest. The Clearing House Group would, of course, advise. I also have my own views and I know how it works between Dublin and London. I know the common labour market causes the migration of the essential ingredient of financial services, which is the experts who work in the industry. There is no doubt at all that a financial transaction tax of magnitude, which applied in Dublin but not in London, would cause a loss in Dublin. That is self-evident. One does not need to consult very widely to know that.

I have a note that might be of benefit to the Deputy to outline the other difficulties of financial transaction tax. The ex-territorial impact of the tax could be a problem, as could the cascade effect, whereby one transaction can result in multiple charges. Further potential problems include the costs incurred by member states not participating in a financial transaction tax in the administration of the FTT, and the possibility of relocation of activities to non-participating member states, which I have mentioned already in respect of the Dublin-London situation. It might affect transactions in Government bonds, especially in the secondary market or repo market.

Our concerns are widely shared among other member states. We already have a stamp duty that is the equivalent of a financial transaction tax. It should be remembered that there are 28 countries in the European Union, and only ten of them are currently contemplating an FTT. They have been doing so for two years and I think they are as far away from agreement now as they were when they started because of the difficulties and the lack of common agreement on how it would affect individual countries. It would be an idea that one could go with if it were done globally through the G20. It might be acceptable if it were done right across the EU, but if it is done by a small group of countries to the detriment of others, then it is not a good idea and I am not going to participate.

Deputy Paul Murphy: I have a few detailed questions further to that with, I hope, easy enough answers. The Minister is suggesting that, first, he thinks it is reasonably likely that they will never come to an agreement on an FTT, even between----

Deputy Michael Noonan: Do not put words in my mouth. I said what I said. Deputy Murphy does not have to interpret what I said.

Deputy Paul Murphy: I am going to the next step and asking for clarification in order that we can get clarity. In terms of the current stages of discussion, is the Minister aware of how they are discussing collecting it? Are they talking about a central collection agency for the ten countries?

The UK tried to take a legal challenge against enhanced co-operation being used for the FTT, and it was shot down by the European Court of Justice. If the UK potentially considers a new legal challenge, what would be the Irish Government's attitude? Would it consider participating alongside the UK in a legal challenge against an FTT pursued by a minority of countries within the EU?

Deputy Michael Noonan: No, we understand the enhanced co-operation provisions in the treaties. The countries that use enhanced co-operation to make an advancement in any area of policy where there is not unanimity are quite entitled to do so. We will not get involved in a legal challenge which is fundamentally challenging their right to move forward in this way. To get back to Deputy Murphy's original point on whether I think it will happen, it probably will happen as a minimalist issue at the end of the day. As I said, a 0.1% stamp duty on share transactions and some derivatives falls short of what we have ourselves already. I do not see any reason for joining in on that.

Deputy Paul Murphy: And in terms of how the money will be collected?

Deputy Michael Noonan: There is no central collection system in Europe. Money is collected by the sovereigns, and if there are payments to Europe, they are remitted. I have no information that the participating states are thinking along any other lines, but I am not a participating state. There are wide differences of opinion on how the proceeds should be used and I am sure Deputy Murphy is familiar with some of those arguments. The proposals include a fund to combat climate change and a fund for subsidising poorer countries in the Third World, if it is acceptable to use that term. A range of proposals have been made. I would imagine that, in times of recession, the countries that collect would be likely to keep the FTT within their own exchequers.

Deputy Stephen S. Donnelly: I wish to start by going back to the October meeting. There are a few things on which I would like to get the Minister's thoughts. When we look at the agreed document, paragraph 11 is to do with the European Investment Bank, EIB, and potential projects, this task force that is being set up. The chapter says that the Council "agrees with the need to focus on key sectors with EU-added value" to boost competitiveness and growth, noticeably in research and innovation, digital economy, energy and transport infrastructure, social infrastructure, environment and so on. I ask the Minister if, in real terms, opportunities are being explored for Ireland here? Does he see new projects coming online because of this? Is the Government exploring whether or not the circa €15 billion that is needed for the water infrastructure might fall within this and whether this might be an additional source of funding for some serious infrastructural upgrades?

Deputy Michael Noonan: There are many projects in Ireland. Investment is usually for infrastructure projects when it is done by governments. One can divide infrastructure into social and economic infrastructure. The European Investment Bank, EIB, is already very heavily involved in both. For example, it is funding bundles of schools through a public private partnership, PPP. It is funding the provision of Garda barracks and courthouses. It is heavily involved in the funding of health centres. All those are within the general parameters of social infrastructure. It is also involved in the roads programme. That is the key area of investment for European Investment Bank funds over the past few years. If the Juncker proposal comes to fruition, which I hope it will, we will have quite a number of projects that could be activated. We could immediately start asking the National Roads Authority to complete the roads programme because while much work was done in the provision of motorways throughout the country, the roads network is not yet completed.

Deputy Stephen S. Donnelly: Specifically on the October ECOFIN meeting, does this new statement have any immediate implications for Ireland? Are there additional projects that might-----

Deputy Michael Noonan: It will report in December but it is up to individual countries to bring forward their own proposals then.

Deputy Stephen S. Donnelly: Are we doing that? Are we actively pushing-----

Deputy Michael Noonan: Yes, the general statement by President Juncker when he took over was that the Commission is going to invest and we should get ready. Of course there will also be pan-European projects. One of the major European projects which must be funded is a European energy network to match the roads network across Europe, because the dependency of Europe on outside sources of energy and the ineffectiveness of the distribution systems is one of the big weaknesses in the European economy.

Deputy Stephen S. Donnelly: Is any Department pushing for Irish Water infrastructure to be included in this?

Deputy Michael Noonan: No, but it could be included. For example, the proposal to solve Dublin's water problem by creating a giant reservoir somewhere west of Dublin, perhaps in the Bord na Móna properties west of Dublin, fed by a pipeline from the Shannon, is the kind of project that would be suitable under circumstances for European Investment Bank funding. This proposal has frequently been discussed but has not been advanced very much and I do not know of any departmental work on that yet.

Deputy Stephen S. Donnelly: It seems that Chapter 11 opens that door even wider, discussing socioeconomic and energy infrastructure needed for economic growth and so forth. Could we as a committee write to the Minister for the Environment, Community and Local Government, Deputy Alan Kelly, and ask him about this, because this would be quite useful, if the Minister is unaware whether Deputy Kelly, his Department or Irish Water is pushing Irish Water projects. It seems ECOFIN has opened the door to that.

Deputy Michael Noonan: The Department of Public Expenditure and Reform runs the capital programme. It is also involved with PPPs as an extension to the public capital programme and is in contact with the other Departments, including the Department of the Environment, Community and Local Government. Another issue that is worth investigating is the need for investment at the ports, if the model is export-led growth. Certainly the four or five key ports require investment. If one asks, apart from social infrastructure, what elements of infrastructure could bring extra growth to a country, the key areas are water, energy and the ports. I would welcome the committee doing some work on that and making some proposals and we would take them seriously. At the end of the day we all live in the same country.

Deputy Stephen S. Donnelly: Paragraph 10 discusses the EIB's effectiveness. It seems to accept that the bank is not working very well and this is referred to throughout the document. Among other issues, paragraph 10 discusses concrete measures to boost investment. Specifically, it discusses the EIB and bottlenecks. Does the Minister know of anything that might come out of this that might make it easier for Irish industry to access this money, through PPPs or other mechanisms? Is there anything that the Irish Government has requested to be changed or improved to help funding in Ireland?

Deputy Michael Noonan: The European Investment Bank has given Ireland a good deal of money and in the last couple of years its investment has more than doubled. In 2014 it will be approximately €600 million and I think it envisages it going up to €800 million. That is a very significant input. It provided funds to both AIB and Bank of Ireland. It was around €250 million for SMEs but while the country lacked confidence there was a demand-side problem with investment and SMEs simply did not avail of the facilities.

Deputy Stephen S. Donnelly: The question is on the supply side. Is there anything that the Minister is looking to have changed in the EIB mechanisms to make it easier for investment here?

Deputy Michael Noonan: It is the transmission mechanisms into Irish industry that are the issue. The EIB is putting about €400 million into the strategic investment bank fund, which we announced last Friday, and the fund available for 2015 is €800 million. We intend to carry that forward each year for five years so there would be a total of about €4 billion available.

Deputy Stephen S. Donnelly: As regards the ECOFIN meeting, the Minister is not seeking any changes or to have bottlenecks removed from the EIB.

Deputy Michael Noonan: From our perspective the EIB is very well-disposed towards Ireland and it has proven that by improving the flow of funds to Ireland. It has various programmes and we are accessing those programmes now more fruitfully than in the past. It has projects, for example, where instead of the 50% matching requirement in city regeneration one can get up to 60% where a third-level college is being used as the driver and we are looking at the potential of that in certain cities as well. I just want to give the figures. EIB funding has steadily increased year-on-year since 2011. Funding approvals in 2011 were €525 million-----

Deputy Stephen S. Donnelly: Sorry to cut across the Minister but in the interests of time, there are other things I would like to get to if I could. I would like to see that, but it is not the question I was asking.

Deputy Michael Noonan: It is difficult to deal with it if I cannot answer.

Deputy Stephen S. Donnelly: The Minister is speaking about what the EIB has done. My question was-----

Deputy Michael Noonan: Deputy Donnelly is asking what the result is. I understood his question to be whether there are demonstrable results arising from our extra engagement with the European Investment Bank.

Deputy Stephen S. Donnelly: No, my question was-----

Deputy Michael Noonan: It has gone from €525 million in 2011 to €1.1 billion in 2013.

Deputy Stephen S. Donnelly: I appreciate that but that is not the question. I do not need another answer. The question was whether there are any changes to the mechanisms as per what Ireland signed up to in October.

If I could move on to the bank resolution contributions, the amount and the formula are under negotiations and it will be some formula that has a flat-rate contribution and then a risk-assessed contribution, which will be relative to the size of the banks. On the basis that Ireland's banks are probably small by eurozone standards is there a risk that Irish banks will have to pay relatively more than their European counterparts because of this combination of a flat rate and a marginal rate? Is there a risk that the Irish banks will pay more for no additional insurance by paying into the fund in the way this has been worked through?

Deputy Michael Noonan: No, I do not think so. We worked it out and it is fairly satisfactory. Does anyone have a note on that?

Deputy Stephen S. Donnelly: No, that is fine.

Deputy Michael Noonan: One would need to illustrate the number.

Chairman: Does the Deputy have a further question he could ask the Minister?

Deputy Stephen S. Donnelly: The fifth issue from the October meeting-----

Deputy Michael Noonan: I am informed that we have kept the risk adjustment modest in our negotiation. It is between 0.8% and 1.5%. That acts as an equaliser and does not expose us to extensive additional risk along the lines the Deputy suggests.

Deputy Stephen S. Donnelly: I am asking about the amount that the banks will have to pay. Irish consumers will have to-----

Deputy Michael Noonan: The risk of extra cost-----

Deputy Stephen S. Donnelly: -----is low. At the October meeting, there was discussion of energy taxation within the context of climate change. Will this have implications for Irish businesses or domestic purchasers of energy? In other words, are taxes on energy likely to increase?

Deputy Michael Noonan: No, but there is a proposal for a Council directive amending the framework for the taxation of energy products and electricity. A summary outcome of the discussion shows that member states were evenly divided and had an exchange of views on whether work on the long-running energy tax file should continue or whether the proposal should be withdrawn and reconsidered. That is how the situation stands. The proposal was originally presented in 2011. Some elements continued to present problems for member states. Trying to bring the EU climate and energy policies into line from a tax perspective is quite difficult. We can provide a detailed note if the Deputy wants more information.

Deputy Stephen S. Donnelly: I thank the Minister. I have a final question, as I am being encouraged by the Chair to finish. Regarding this week's ECOFIN meeting on the financial transactions tax, my understanding is that the tax would apply to high-frequency trading more than it would to low-frequency trading, for example, derivative markets. I also understand from speaking with the financial services industry in Ireland, which is based chiefly in the IFSC, that they mainly handle low-frequency transactions. They do not handle, for example, marginal trading, but fairly calm asset management and so forth.

We have received strong briefings from the Department of Finance, but I do not share its view on this matter. We are missing a codified, rather than seemingly anecdotal, analysis. I am not saying that the Department's briefings were wrong, but I do not accept that it has got this matter right. Perhaps it has. Will the Department provide us with documentation that outlines a formal position and real numbers instead of just anecdotal evidence? It is a ridiculous position. If no analysis is possible without an agreement, one cannot take such a hostile position. One cannot have it both ways and be opposed to something only to tell the Parliament when it asks for the analysis supporting that stance that none is possible because one does not know what will happen.

Deputy Michael Noonan: The Deputy misunderstands our position. I have never taken a hostile position to a financial transaction tax.

Deputy Stephen S. Donnelly: The Minister's Department has.

Deputy Michael Noonan: No, it has not. When Ireland held the Presidency last year, I put this matter on the agenda of the first ECOFIN meeting that I chaired so as to allow those who wanted to do so to move ahead and try to find agreement under the enhanced co-operation rules. I could have kept it off the agenda, as I had control for six months.

Deputy Stephen S. Donnelly: I accept that.

Deputy Michael Noonan: That was not an act of hostility. It was an act of enablement.

Deputy Stephen S. Donnelly: I know the Minister is a busy man and he was not present for it, but he might read the blacks of the last briefing we received from someone in his Department. The position she outlined was an overtly hostile one. In our back-and-forth discussions with the Department, it has asserted that, although it is strongly opposed to a financial transaction tax because it believes that many jobs will migrate to the City of London, it cannot support that view because it does not know what the proposal is. One cannot hold both positions.

Perhaps it is just a case of some scenario modelling. We know the broad parameters. Could the committee receive a codified analysis that went beyond anecdotes? I am not saying that the Department is wrong, only that we have not been given the codified case for its position. The Minister might consider whether one could be developed.

Deputy Michael Noonan: When the debate started, there were all sorts of proposal being made about a financial transaction tax. To be blunt, though, if the EU settled on a kind of stamp duty of 0.1%, it would make no difference to us beyond a reduction in our Exchequer flow from more than €200 million to approximately €25 million. I would oppose it in that context not because it would damage us, but because it would remove some of our tax base.

Deputy Stephen S. Donnelly: That brings me to the second part of this issue. If what the Minister is saying is correct - I have no reason to believe that it is not - and for the same reason that he believes a damaging version of the tax is worth considering, is it also not worth considering that there may be a competitive advantage to be had? The Minister's remarks illustrate my point perfectly, in that a particular version of the tax could benefit financial services in Ireland whereas a different version could disadvantage it, leading to a migration of jobs from the IFSC to the City of London. In this light, could the Minister ask the Department to engage in scenario modelling for us to review?

Deputy Michael Noonan: We have a financial transaction tax, a 1% stamp duty on shares. The only other country that has such a tax is the UK at 0.5%. The French have been pushing to introduce it at 0.1% and are participating in the financial transaction tax talks. However, the proposals are going nowhere at the moment. This is the position.

Deputy Stephen S. Donnelly: That may be the position, but it does not detract from my question. Could we see a codified analysis of the types of tax that would benefit and adversely affect Ireland?

Deputy Michael Noonan: I am not interested in a financial transaction tax because I-----

Deputy Stephen S. Donnelly: The Minister may not be, but we as the finance committee may be.

Deputy Michael Noonan: I make policy. That is the difference.

Deputy Stephen S. Donnelly: The Minister makes policy, but it is our constitutional obligation to hold the Minister to account.

Deputy Michael Noonan: Right, and I am-----

Deputy Stephen S. Donnelly: A part of that is to request-----

Deputy Michael Noonan: That does not mean that I have to agree with the committee. All I have to do is tell it what position I am taking. Until the electorate votes us out of office and I am removed as Minister for Finance, I will create policy.

Chairman: We must-----

Deputy Stephen S. Donnelly: Hang on a minute.

Deputy Michael Noonan: I do not have to-----

Chairman: I am sorry, but I as Chairman decide for how long people speak. I have given Deputy Donnelly the maximum.

Deputy Stephen S. Donnelly: Yes, and I appreciate that, but the Minister-----

Chairman: We are going around in circles in terms of what the Deputy believes and what the Minister believes.

Deputy Stephen S. Donnelly: We are not.

Deputy Michael Noonan: We are.

Chairman: As Chair, I believe we are.

Deputy Stephen S. Donnelly: I am not attempting in any way to direct policy. As a member of the finance committee, I am asking whether we could receive a report or analysis to illustrate the options.

Chairman: Could we have that report, Minister?

Deputy Michael Noonan: We do not have such a report.

Deputy Stephen S. Donnelly: I know. That is why I am asking whether one can be produced.

Deputy Michael Noonan: We have a lot of work to do. It is not necessary to commission such a report at this time. If, on the other hand, a group of people in Europe devise a financial transaction tax and it becomes policy across even a limited group of countries, it would be worth our while conducting an analysis then. I would do it then.

Deputy Stephen S. Donnelly: That is preposterous.

Deputy Michael Noonan: Why is it preposterous?

Deputy Stephen S. Donnelly: If the Minister does not have an analysis, how can he decide whether he even wants to engage in a financial transaction tax?

Deputy Michael Noonan: I understand the position. I know what will happen if a tax is applied in Dublin that is not applied in London. It is self-evident.

Deputy Stephen S. Donnelly: It is not.

Chairman: I thank the Minister, but this discussion has continued for 20 minutes and I must stop it.

Deputy Stephen S. Donnelly: I thank the Chairman.

Chairman: I call Deputy Mathews, although I am not that keen on allowing people to contribute who arrive this late to the meeting.

Deputy Michael Noonan: I was supposed to be out of here by 9 p.m.

Chairman: I am sorry. I did not realise that was the time given to the Minister.

Deputy Michael Noonan: I am answering parliamentary questions in the morning and must prepare for nearly 100 questions.

Chairman: I was not aware that the Minister was stuck for time.

Deputy Peter Mathews: Could I have just one minute?

Chairman: No, I am sorry. I thank the Minister and his officials for attending and for giving of their time. As there is no other business, the committee will adjourn.

Deputy Peter Mathews: I am disappointed. I was in the Chamber for Private Members' business.

The joint committee adjourned at 9.10 p.m. until 2 p.m. on Wednesday, 5 November 2014.