DÁIL ÉIREANN

AN COMHCHOISTE UM AIRGEADAS, CAITEACHAS POIBLÍ AGUS ATHCHÓIRIÚ, AGUS AN TAOISEACH

JOINT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND REFORM, AND TAOISEACH

Déardaoin, 19 Eanáir 2017

Thursday, 19 January 2017

The Joint Committee met at 10 a.m.

MEMBERS PRESENT:

Deputy Peter Burke,	Senator Paddy Burke,
Deputy Michael D'Arcy,	Senator Gerry Horkan,
Deputy Pearse Doherty,	Senator Kieran O'Donnell.
Deputy Michael McGrath,	
Deputy Sean Sherlock,	

DEPUTY JOHN MCGUINNESS IN THE CHAIR.

The joint committee met in private session until 11 a.m.

Scrutiny of EU Legislative Proposals

Chairman: Before we go into the business of the meeting, the committee has agreed that COM (2016) 709 warrants further scrutiny. It is further agreed that the remaining EU proposals considered today do not warrant further scrutiny. Details of all EU proposals considered today, and decisions made on same, will be published on the committee's website.

Statement of Strategy 2017: Department of Finance

Chairman: We will deal with the Department of Finance's 2017 statement of strategy. I welcome Mr. Derek Moran, Secretary General of the Department, and his officials. Before we begin, I remind those present to turn off their mobile phones, as they interfere with the sound quality and transmission of the meeting.

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. If they are directed by the committee to cease giving evidence on a particular matter and they continue to do so, they are 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 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.

I invite Mr. Moran to make his opening statement.

Mr. Derek Moran: I welcome the opportunity to present to the committee. I will introduce my colleagues - Mr. John Hogan is from our banking division, Mr. John McCarthy, is our chief economist, and Mr. Derek Tierney and Mr. Aidan Murphy are from corporate affairs.

The Department's mission is to manage the Government finances and play a central role in the achievement of the Government's economic and social goals. To bring the greatest possible focus to the strategy, we have adopted two strategic goals from which flow our detailed business plans, HR strategies and organisational structure. These goals are a sustainable macroeconomic environment and sound public finances; and a balanced and equitable economy enabled by a restructured, vibrant, secure and well-regulated financial sector. Everything that we do derives from these strategic goals.

In delivering on them, we provide independent, impartial and well-informed, evidence-based advice to the Minister and the Government. This will concentrate on the most appropriate fiscal policy to maintain solid economic growth and the policies that will ensure that Ireland's financial system can operate on a stable, sustainable and commercial basis.

I will briefly comment on how we organise the Department and the importance of its people, good governance and openness in our business as the means by which we support our strategic objectives. Our organisational structure derives directly from the two strategic goals. Accordingly, the Department is arranged into two directorates. The economic and fiscal directorate re-

ports on a day-to-day basis to me. It includes the economic, tax, EU and international divisions along with facilities management, corporate affairs and human resources. The finance and banking directorate reports on day-to-day business to the second Secretary General. It includes the banking and financial services divisions, the risk and stability division, the shareholding management unit and the legal and finance units.

The structure is not fixed and evolves according to needs and emerging priorities. It is key to the proper administration of the functions entrusted to the Department that there is clarity about individual roles and responsibilities. This clarity is provided by the senior management team. Indeed, the executive board is currently in the middle of a manpower and organisational review of the finance and banking directorate.

Our success in achieving the goals we set will depend on our people. They are at the centre of everything we do. The senior management team is focused on enhancing and developing skills and capability throughout the Department to allow us to perform better not just as individuals, but as teams. Our strategy, specifically and importantly, acknowledges the need for integration between HR management and business strategy. The Department has been criticised in the past for deficits in its skill levels. The orientation of our HR efforts are to ensure that we recruit and equip our staff with the knowledge, skills and expertise appropriate to their current roles while facilitating personal development and career opportunities.

To this end, the Department, through the implementation of our learning and development strategy, has created and offers professional diploma courses as follows: a diploma in tax policy and practice; a diploma in financial services; and a certified diploma in project management. We are also developing in-house core economics modules for implementation during 2017. These formal learning courses are or will be available to all staff. Currently, a staff of just over 300 hold almost 600 accredited qualifications, of which approximately one quarter are at postgraduate level or above.

We also go beyond simply developing "hard skills" by building leadership capability throughout the Department. In addition to coaching, mentoring and leadership programmes, we have recently introduced a process that aids personal development by helping staff to identify and adapt behaviours in order to achieve their objectives.

Since my appointment as Secretary General, I have sought to promote good corporate governance and compliance in the Department. This has included the development and publication of our corporate governance framework, which informed the development of a common corporate governance standard for the Civil Service. The key objective was to bring clarity to how the Department was structured, directed, controlled and managed in addition to the roles of individual senior managers, and saw the evolution of the old management advisory committee into an executive board. The board operates to the principles of shared participation and personal and corporate responsibility for the operational success of the entire Department. To ensure that each executive board member has a stake in the corporate and operational success of the Department, members have been assigned corporate-related responsibilities in addition to their normal policy areas to ensure shared responsibility across the board.

The Department is committed to delivering information and policy in as open a way as possible, consistent with the law, and to the regular and timely publication of internal technical studies, policy reviews and other relevant statements, papers, reports and action plans. Extensive engagement with stakeholders, think tanks and other experts inevitably helps to improve the quality of our policy advice.

We have sought to improve the evidence base available on macroeconomic and tax policy changes with a view to improving the quality of policy advice. To this end, a joint research programme was agreed with the ESRI in early 2015. Specifically, joint research was commissioned through the programme well in advance of the UK's referendum on EU membership. Identified as a major strategic risk, it was important that an economic framework be developed and widely and publicly disseminated.

The Department conducts a wide range of public consultations to ensure that stakeholders are taken into account in policy development. We actively respond to consultations from other Departments and public bodies, such as the Central Bank review of the macro-prudential residential mortgage lending measures. As part of normal business, we processed 405 freedom of information requests, 2,500 parliamentary questions and 4,500 ministerial representations from stakeholders in 2016.

To enhance openness and transparency, the Department publishes the Minister's appointment diary, my appointment diary and the minutes of all executive board meetings. We also publish and intend to publish minutes arising from our interinstitutional arrangements, such as the Revenue liaison group, which is a quarterly meeting between me, the second Secretary General and the Revenue Commissioners, and the newly formed financial stability group, formerly the principals group, which involves senior persons in the Central Bank and the National Treasury Management Agency.

We will continue to adapt and improve our operating model so that our organisational structure, accountabilities and responsibilities, along with the right people, processes and technology, work together to support strategic priorities over the next three years. I would be happy to discuss any of these matters and welcome questions from the committee.

Chairman: I thank Mr. Moran. In his opening statement, he made a brief mention of the UK's referendum on EU membership. I had expected some comment to be made on the Department's preparations for Brexit.

Mr. Derek Moran: I am happy to make one. As far back as late 2014, we were preparing for the risk - it was only that back then - of Brexit. We engaged with the ESRI to examine what the macroeconomic implications might be so that we would have a framework in the event of Brexit. Building on that work, we published a joint paper on the impact of various types of Brexit. With the budget, we published information on where the greatest sectoral impacts would lie. Flowing from that work, the ESRI has examined the possible impacts of a WTO tariffs regime. Institutionally, a Brexit unit has been set up within the Department, headed by a principal officer. Staffing of that unit will evolve as the business evolves, although there are already a couple of staff assigned to it. We have also increased the number of staff we have in Brussels. We transferred one person from the European Parliament into the Permanent Representation office in Brussels to support the efforts there. There is no doubt but that once Article 50 is triggered, there will be a significant demand in terms of the granular detail around Brexit preparations. As I said, a dedicated unit has been set up in the Department and we expect to increase the number of staff in that unit and in Brussels as this issue develops.

Chairman: That is a general comment. I was looking for more specific detail and comfort arising from the fact that the Prime Minister of the UK has now indicated that Brexit will possibly be a hard exit, resulting in a very hard Brexit for Ireland. Small businesses and many others affected by Brexit want each Department to spell out a response to the Prime Minister's recent speech outlining the UK's position. People are anxious to know how they fit into Depart-

ment's plans. Perhaps in the course of the meeting Mr. Moran would provide more detail than that a unit has been established and staff numbers in the Department and in Europe have been increased such that those who are interested will know exactly where the Department stands on Brexit. In this regard, Mr. Moran might outline what skill sets exist, what needs to be done and so on.

Deputy Michael McGrath: I welcome the Secretary General and his colleagues. Returning to the Chairman's comments about Brexit, perhaps Mr. Moran would outline in detail the resources within the Department of Finance and the Permanent Representation office that are dedicated to Brexit and preparing Ireland for the challenges that will inevitably now come.

Mr. Derek Moran: We are all involved in Brexit in different ways across the whole policy piece. The dedicated resources are around having a unit that brings all of that together. For example, issues of taxation and customs and financial services will be the bread and butter of what people are doing at an EU level. We are represented on the Economic and Financial Committee, which is the committee that prepares the agenda for ECOFIN. A huge amount of information flows from that committee.

In regard to the dedicated unit within the Department, its function is to draw together all strands of the work on Brexit. In other words, it will have a co-ordinating function. The target is to have five or six people dealing with that work.

Deputy Michael McGrath: If the target is to have five or six people in that unit, how many are there currently?

Mr. Derek Moran: Currently, there are three staff - perhaps four - in the unit. In Brussels, we have 5.5 posts.

Deputy Michael McGrath: Are the latter staff from the Department of Finance?

Mr. Derek Moran: Yes.

Deputy Michael McGrath: Am I correct that there are three staff in the dedicated unit in the Department with a view to that complement being increased to five or six?

Mr. Derek Moran: Yes. Permanent representation staff deal with the dossiers that are on the Department's agenda in a Brussels context anyway. We will probably need to increase the number of staff in Brussels to seven or eight because there will inevitably be discussions around EU budgets, financial services and so on as the negotiating process gets under way and we will need to support that work.

Deputy Michael McGrath: The Government's Brexit response is being led by the Taoiseach's Department. From an economic point of view, the trade implications, which are central to all of this, are potentially extremely serious for Ireland. Perhaps Mr. Moran would put in context the resources within Government focused on the economic implications. Also, are the implications in terms of export and trade with the UK focused within the Department of Finance?

Mr. Derek Moran: We have done a lot of the economic analysis, which Mr. McCarthy will elaborate on in a few minutes. Trade promotion is the responsibility of the Departments of Foreign Affairs and Trade and Jobs, Enterprise and Innovation. However, all Departments have a contribution to make on this area, as has the Cabinet committee. Senior officials from all Departments are co-ordinating this work but under the aegis of the Department of Finance.

There is a lot of activity but we have to bring focus to it. I hope I have answered the Chairman's question regarding what the Department of Finance brings to the table in terms of helping address the issue. The speech earlier in the week by the UK Prime Minister brings focus to the fact that Brexit will be a hard rather than soft exit, which raises a number of issues, some of which are as yet unclear. The UK proposes to withdraw from the customs union but wants to have an associated customs arrangement. It is not clear what that will be. We are working our way through what the WTO will look like if that happens but it is not yet clear that this is what the Prime Minister intends to negotiate. Turkey has an arrangement with the EU around customs union on goods that go into the EU. It is expected that the negotiation will be in that type of space. The effort is centrally co-ordinated but it cuts across all Departments and not only the Department of Finance.

My colleague, Mr. John McCarthy, will elaborate on the economic issues.

Mr. John McCarthy: The Secretary General mentioned that there are three to four staff in the dedicated unit. However, all other units in the Department also have a Brexit impact and so the economics division, the tax division and the financial services division are all interacting on this issue. The co-ordinating unit may be relatively small but all other units are feeding into it.

I am head of the economics division. In 2015, we asked the ESRI to carry out a scoping study, which we funded, of what Brexit might mean. Following the decision in June, we boosted the skill set within the economic division. Some of my team were working jointly with the ESRI on the macro impact of three different scenarios, namely, a soft, medium and hard exit. As stated, a hard exit is becoming increasing likely. In regard to a hard exit, we estimated, using model simulations, that it would shave about four percentage points off the level of GDP after seven or eight years. Alongside the budget, we published a sectoral impact which was a study of which sectors would be affected most. It is not surprising that the sectors most affected are the indigenous sectors of the economy.

The ESRI also looked on a more granular basis at the likely impact in terms of the tariffs on approximately 5,000 products. For example, meat might have an average tariff of 50%. The ESRI looked at what this might mean for Irish exports to the UK. In broad orders of magnitude, it would shave off approximately 30% of our exports to the UK. This means our exports overall would be reduced by approximately four percentage points. That is the type of work we are doing in the economics division. At the time of the budget, the Minister had a Brexit-ready plan which assessed what the Department of Finance could do with the instruments under the control of the Minister of Finance, namely, taxation, financial services and so forth. The Department of Finance co-ordination unit feeds into the Department of the Taoiseach group handling this matter.

Deputy Michael McGrath: Perhaps Mr. Moran would clarify if there are three or four staff in the Department of Finance Brexit unit.

Mr. Derek Moran: I think there are four staff in the unit but I will check that and come back to the Deputy on it. The intention is to move another assistant principal and administrative officer into the unit as the process ratchets up and to also increase staff numbers in the permanent representation in Brussels.

Deputy Michael McGrath: A lot of people will be shocked at how threadbare the level of resources are within the Department of Finance. Mr. Moran said that everyone in the Department is making a contribution but they were all busy people before the Brexit referendum result

last June. Almost seven months on from that, there are only four people in the Department of Finance with responsibility for devising our economic policy. The world has changed for Ireland.

Mr. Derek Moran: I must challenge that. It is a regular item on the management team's agenda and is dealt with on a whole-of-Department basis. This is meant to draw the strands of everything that is happening across the Government together in one place. The Deputy is right, in that this has implications for financial services, taxation, our Border and customs. Departmentally, people are engaged in it. The expertise resides within the divisions. We co-ordinate that into a single piece-----

Deputy Michael McGrath: Are the divisions being beefed up? If people are not sitting within the Brexit unit, are the Department's divisions that are directly affected by Brexit being enhanced in terms of resources?

Mr. Derek Moran: That is always the challenge. Let me be honest about that. We have been beefing up the economic functions for a while. Two or three years ago, there might have been one functional area, namely, the macroeconomy. There are now three, including microeconomy, which entails research, analysis and modelling. With the economy recovering, it has been difficult to expand an organisation when one must compete with outsiders, but we are doing our best to push on that front. We have a high turnover rate, which is a good thing at one level, in that we are refreshing our staff, improving qualifications and so forth, but we must manage the process within that context. We have a core staff of approximately 300. Ideally, I would like to be at 330. We started out with a manpower plan last year and ended up at ten or 15 below it. We are continuing to pursue it.

Deputy Michael McGrath: I take Mr. Moran's point that people do not need to wear Brexit hats while they walk around and can instead sit within their own functional areas, but the corollary of that is that one would expect the Department's international financial institutions, tax policy, EU and international and economics divisions to be enhanced to deal with the threats and opportunities posed by Brexit. Instead, the Department's overall head count is pretty much static.

Mr. Derek Moran: Yes. We are running-----

Deputy Michael McGrath: Is that because the Department cannot get people or is it losing people?

Mr. Derek Moran: Many Civil Service organisations remain stable for a long time. We took on a number of high-quality people at the height of the crisis. After four or five years, however, they have succeeded in winning promotion to other parts of the Civil Service. We must plan manpower to back-fill that. It is healthy in one way. At the start of last year, we estimated a requirement of approximately 40 graduate entrants. Central supply was sufficient to fill in or around 30 of those posts, so we had a deficit of approximately ten at the start of this year. It is difficult. It was only yesterday that we sat down as a management team to discuss our resourcing plans. There are many vacancies to be filled in Mr. McCarthy's unit, for example, statisticians and economists. However, the solutions to all of those vacancies will arrive in the short term. It is an ongoing process. As the economy recovers, the competition for quality staff increases.

Deputy Michael McGrath: I appreciate that. Prime Minister May made her speech on

Tuesday. My question is probably more appropriate to Mr. McCarthy. Will he translate as best he can what we heard from her and put it in the context of the analysis undertaken by the Department and the ESRI of what Brexit means for the Irish economy? The UK is definitely leaving the Single Market. Although there is a degree of uncertainty about the customs union, it is safe to assume that the UK will not remain in it. The Prime Minister referred to associate membership or leaving the customs union. In terms of trade and our economy, what is the Department's assessment at this early stage of the emerging position of the British Government?

Mr. John McCarthy: This relates to the macroeconomic modelling work that we did jointly. We have a PhD economist, who is skilled in macro modelling, working on this matter by my side. Three scenarios were published last November. We did not know at the time that a hard exit would become the most likely. This leads us to believe that the macroeconomic impact will be more severe. To put some figures on the macro scenarios, after five years, the level of GDP would be three and a half percentage points below a baseline scenario of no Brexit and closer to four percentage points after a decade. There would be significant front-loading. This would reduce employment by approximately two percentage points and raise the unemployment rate by one percentage point. In terms of the public-----

Deputy Michael McGrath: If employment fell by 2%, what would that be in terms of the number of people?

Mr. John McCarthy: As overall employment is 2 million currently, 1% would be 20,000. As such, the ballpark figure is 40,000 people. The impact on the public finances would be to raise the level of the deficit by one percentage point over the medium term. This would accumulate, as the deficit increases every year, adding approximately ten percentage points to the level of public indebtedness after a decade.

Deputy Michael McGrath: Roughly €20 billion.

Mr. John McCarthy: Yes, that is a close enough estimate. It is a ballpark figure. Prime Minister May stated that she would consider the common travel area, which is a positive from a labour market perspective.

These are broad orders of magnitude and a health warning is attached to all model estimates, but these ones are reasonable.

Deputy Michael McGrath: The Department's headline assessment is that, based on the emerging picture, economic output will be four percentage points less than the baseline over a five-year period.

Mr. John McCarthy: No, after approximately a decade. It will be three and a half percentage points-----

Deputy Michael McGrath: After five years. There will be approximately 40,000 fewer people in employment-----

Mr. John McCarthy: Than the baseline scenario.

Deputy Michael McGrath: -----and the national debt will be approximately €20 billion greater.

Mr. John McCarthy: The Deputy is right, but the model assumes no policy reaction. It is a pure model situation in which no policy is imposed. It assumes that the Government does not

respond to the deterioration in the public finances.

Deputy Michael McGrath: What would the impact on exports be?

Mr. John McCarthy: In light of the tariff analysis, which was conducted by the ESRI rather than us, it would take 4% off the total of Irish exports. That figure is probably at the lower end of expectations, given the composition of the exports. A large part of the high-tech and multinational produce would not be affected much.

Deputy Michael McGrath: What does it mean for exports to the UK?

Mr. John McCarthy: They would fall by approximately one third. When weighted alongside our total exports to the UK, overall exports would be down by-----

Deputy Michael McGrath: What trade terms are assumed in that analysis?

Mr. John McCarthy: That WTO tariffs apply, which is the default position.

Deputy Michael McGrath: What are the WTO tariffs on food exports to a country outside the customs union?

Mr. John McCarthy: I can cite a couple of examples. For meat, it is close to 50%. Within meat, it differs by beef, chicken and so on. I just have the aggregate figure. For dairy and eggs, it is approximately 25%. For processed meat, it is approximately 35%. This information has been published and I can provide the Deputy with a copy. Does he see this tariff?

Deputy Michael McGrath: Yes.

Mr. John McCarthy: It goes from 0% to 50%. I will give him a copy of this after the meeting if he wants to look at it.

Mr. Derek Moran: Regarding Mr. McCarthy's qualification of the models, a model specifies at a point in time a set of assumptions and rolls them out. These are the impacts in the absence of mitigating responses. Those mitigants may well be in the form of the modified customs union, whatever that might be. We do not have an insight into that. Domestic responses might also be factors. The exposed sectors include traditional manufacturing, the food sector and agribusiness. The Government must decide all the time on responses. Modelled outcomes rarely come true but they are a guide to where one should be looking.

With regard to the examples of WTO tariffs, they are maxima. In the absence of a trade agreement, that is what they default to; they are the maximum amounts. The figures can be substantially below those, including down to zero.

Deputy Michael McGrath: If there is no deal on a new trade agreement-----

Mr. Derek Moran: That is what we have to deal with.

Deputy Michael McGrath: -----two years after the triggering of Article 50, the UK will be out and the default position will be the WTO tariffs.

Mr. Derek Moran: We have to have a view of what the worst case would look like.

Deputy Michael McGrath: It is potentially extremely serious.

Mr. Derek Moran: There is a permanent wealth effect from the UK economy. The UK

would be smaller, the European economy would be smaller and the Irish economy would be smaller. There is more of a direct effect on Ireland than on almost any other country within the European Union.

Chairman: May I go back to my original question before calling Deputy Doherty? It is on the preparedness of the Department. Did Mr. Moran refer to an unemployment figure of 40,000?

Mr. Derek Moran: I referred to employment.

Chairman: The national debt goes up.

Mr. John McCarthy: Yes, assuming no policy response.

Chairman: Yes, this is what the delegates are saying. Exports to the UK would be down by one third and they would be down generally by 4%. This is all in regard to Brexit and it is before one factors in what Mr. Trump might say to us tomorrow. The Small Firms Association is saying 41% of its members have said they have already experienced a negative impact from Brexit. Sixty-eight percent say they expect an immediate negative impact over the next few months. The only way that can be minimised is for the Department to set out its general strategies to give some sort of comfort regarding the figures the Department has given.

On the tariffs issue, Mr. Moran has just scared the daylights out of small firms and businesspeople with the information he has added. Their livelihoods rely on this.

Alongside the stark reality of Brexit, there is a further stark reality to be faced in terms of taxation. That has to do with Mr. Trump. Then there is the threat associated with Prime Minister May saying the UK will be competitive with its corporation tax regime. What financial supports has the Department put through its model in terms of supporting exporters and small firms of one kind or another that are totally exposed because of Brexit? What taxation model has Mr. Moran put in place on foot of the competition now emerging within the European Union on corporation tax? Will we go down to 10%? Will we adjust rapidly to meet the challenges from the markets and political policy in other jurisdictions?

I am shocked that there are only three or four relevant people in the Department of Finance, which is a key Department in this regard. It is a Department that will outline the taxation strategy for the future. I have not heard a word about it. Quite frankly, two sentences in Mr. Moran's opening remarks do not cut it for me. It is not personal. I would have expected the Department, in light of all that has been said about Brexit and President-elect Trump and all that was said by the UK Prime Minister, to have produced a far more substantial response to what is now happening. We do not seem to be prepared. That is a concern of mine and one that seems to be expressed by the Small Firms Association. I have heard it from exporters also. They want to see real measures put in place to give comfort to those in business who simply cannot wait. They cannot wait; they will be affected overnight.

Mr. Derek Moran: I will pick up on some of those points. There is an entire tax division. The four people in the co-ordination unit do not comprise the Brexit effort on any one subject.

Many of the questions the Chairman wants me to answer are on the Government's policy and what the Government's policy response will be. It is not appropriate for me to answer that. There will have to be responses, however.

With regard to the criticism of the statement, I had no sense of what the committee wanted to talk about overall.

Chairman: I do not accept that. I referred to the strategy of the Department of Finance. The strategy has to take in the immediate risk to the economy posed by Brexit and Mr. Trump. The Department of Finance is the lead Department on taxation. I would have loved to hear Mr. Moran say that, within his Department, there is a model that examines the various reductions necessary in corporate taxation and other taxes to keep this economy competitive. I do not get a sense of that.

Mr. Derek Moran: On the taxation issues, it has yet to be seen what emerges in the United States. We spent some time there in the immediate aftermath of the election. Certainly, the sense in Washington was that this could be anything from radical reform through to nothing happening. That is the range referred to by people who work there.

If something is going to happen with taxation in the United States, it will happen in the first six to 12 months. Generally speaking, US Presidents make advances on taxation policy in the first year of their first term. It is very rare in the second. All our strategy on taxation is predicated on being competitive and being part and parcel of the development of global taxation. We published a strategy, which is updated annually, on where that is going. That will continue to be the case. We have always been very adaptable in our approaches to this. Ultimately, the calls on where we are going to go are policy calls. This will not be part of the Department's strategy. The strategy is across the entire gamut of what the Department is doing. We take Brexit seriously because, when nobody thought Brexit might happen - it was assumed it would not - the Department was out doing the work and asking what it would be like if it did. None of the statistics that Mr. McCarthy has given members is new. They were all published well in advance. The core study was at least 18 months ago. We asked what would occur if Brexit happened. Right up to the day of the vote, nobody believed it would happen. We outlined the challenge Ireland would face it if happened. We have refined that and so on so a focus can be put on what the policy responses might be.

I take the Chairman's point that people want answers now. The UK Prime Minister's response with the ten points was only last week. Personally, I never foresaw a soft Brexit. The vote was less about economics and more about domestic political considerations within the United Kingdom. This is not good news economically for Britain, Ireland and the rest of Europe. We have to address that.

Deputy Pearse Doherty: I welcome Mr. Moran. I, too, shared his view that there would never be a soft Brexit and I said very quickly that we needed to figure out what we could and could not control. Pretending there would be some type of soft Brexit, whatever that means, was just a bit of chat. The focus of the British was always going to be on trying to secure their borders.

If we look back at different times and assessments of the Department of Finance, particularly in the lead-up to the banking crisis, we note there were serious flaws and serious unpreparedness, indicating that the officials in the Department were not raising concerns loudly enough and in the appropriate way and that there was a skills shortage within the Department. I know many of those issues have been rectified in previous times. Does the witness believe the Department of Finance is ready for the challenges of Brexit?

Mr. Derek Moran: Yes is the answer. This is a cross-Government issue in which we play

our role. I return to the point made that, during the crisis, the Department was not modelling those very adverse outcomes. It is the opposite way here. When nobody conceived the possibility of Brexit happening, we said that we needed to look at it and make publicly available what the consequences of it might be. It is a lesson learnt, quite frankly. After the 2014 British general election, which against all expectations led to a majority Conservative Government, the one thing that was certain was that there would be a referendum on Brexit. The right thing to do at that stage was to do the analysis well in advance in order to give an insight into what the likely effect would be. We were the only people to do that. People did not want to talk about it.

One of the failings in the run-up to the crisis was known as the domestic standing group. It was supposed to be an advance crisis simulator on the financial side of things. It did not work. It was at too low a level, was not given priority and so on. During the crisis management period, we had what was called the principal swoop, which involved the head of the Department, the NTMA and the bank meeting on a regular basis to manage the agenda. Going forward, that is not really what we are about. We changed that into what we called a financial stability group, which can be found around the world. It is an interaction between the monetary authority, the institutions that work for the Government, the treasury and funding agency to share information, which we have done, but in a much more structured way, to have a much more structure addenda and to try to model those exact sort of crises and challenges that one cannot see, such as the cyber attacks that bring money transmission systems down and all that stuff. We had our first meeting in that format with defined terms of reference. The membership of it, unlike further down the organisation, involves those at the top in order to give it authority. In terms of learning from the crisis and being ready, I believe we have learnt.

Deputy Pearse Doherty: Is the witness satisfied that the four people in the core co-ordinating team are sufficient, or does he want one other?

Mr. Derek Moran: We get bogged down with the issue of four people. My job is to keep the Department, across all of its policy functions, orientated towards the strategic importance of Brexit.

Deputy Pearse Doherty: If the proverbial hits the fan in a couple of years time, I do not want to find out that Mr. Moran was asking for additional staff or believed that there was a need for an additional capacity within the Department of Finance. I want him to tell the committee now or I want him to say that he is satisfied and, therefore, if things go wrong, we can hold him to account. I want him to tell this committee that he is satisfied with the staff resources that he has, that he is not looking for anything else and that he believes that the team is robust enough to deal with the challenges. I commend the work that the Department of Finance did at a time when Brexit was not being talked about as a possibility. There is no doubt it was outstanding work. It is now eight months since Brexit was voted for. We have clear indications that it will be a hard Brexit with a hard Border. We cannot be harking back to something that happened a year and a half ago. It is different. That was a hypothetical scenario. Now we know it is real. In the next couple of weeks, it is going to get very intense because we are competing with Britain and other member states and we need to be at our best game. Is the witness completely satisfied with the number of staff he has on the core team and everywhere else within the divisions of the Department of Finance?

Mr. Derek Moran: On that specific manpower issue, I reckon we need about 30 more staff. That goes back to a comment I made earlier. We are expanding the economic function and some of the financial functions. However, given the nature of the recovering economy, being the head of an organisation in manpower planning terms is actually more difficult than it was.

At the moment, we have about 300 or 310 staff. I would far prefer to be in the territory of 330 or 340 existing staff.

Deputy Pearse Doherty: Has the Department been approved for 340 staff?

Mr. Derek Moran: It is no longer a case of approval. It is about the pay allocation that I manage that involves grading and so on, rather than the approval of a head count.

Deputy Pearse Doherty: Okay. Finance is the constraint of the overall package-----

Mr. Derek Moran: Yes, money is the constraint. In reality, because we could not fill all of the posts that we wanted to fill, we handed back €2 million. Even as we stand, every month that goes by in which those vacancies are not filled means one twelfth of the salary has to go back. We have the capacity to take staff in, but the issue is in getting them in.

Deputy Pearse Doherty: Okay. In regard-----

Mr. Derek Moran: I gave the example that we had a manpower panel after recognising that we needed 40 graduates. We were only able to get 30. There was a saving of ten salaries for a year just in that example, as well as the savings in not taking all of the staff at the start of the year. We are running to standstill. We have around a 14% turnover rate at present, which is very high by Civil Service standards.

Deputy Pearse Doherty: The witness mentioned the different divisions within the Department. There is a co-ordinating group that the divisions feed into. With regard to the job descriptions of individuals working within the divisions, how many of them have been assigned Brexit-particular parts to their job description? That would not have been the case heretofore. People with specific responsibilities have now been tasked with Brexit-related responsibilities.

Mr. Derek Moran: In terms of driving down the business plans from the strategy and deriving the individual roles from that, I do not want to be trite and say that everybody has a responsibility. In the process we are currently going through of driving down the strategy through the business plans to the individuals, Brexit will feature for a very large cohort. Do not ask me how many that will be. With the speech Mrs. Theresa May gave in the last week, it has become a much more focused and clearer responsibility. That will be driven down through the business plans and into the individual tasks. When we complete that, we would like to do a statistical piece and send it to the committee. We are going through that at the moment.

Deputy Pearse Doherty: I make the point that we are a number of months out from Brexit. The witness's own view was that it was never going to be a soft Brexit. For people like myself and the witness who share that view, there was nothing really major announced in the speech of Mrs. Theresa May. Her major announcement, in my view, was that she was going to put the vote to the House of Commons at a later stage. Most people would have seen that it will be a hard Brexit and that she has tried to cherrypick everything else. I am concerned that that part of the work has not been done so far.

Mr. Derek Moran: As I said, we publish the executive board minutes. If one goes back over them, one will find Brexit cropping up as a discussion among the management team on a very regular basis. It is a case of then integrating that down through the business plans. I take the Deputy's point that it is one thing to say that we see it a problem and do a piece of work on it 18 months out. However, we have followed that up. On budget day only a couple of months ago, we published the sector-by-sector exposures and where the concentration might be. Some

small measures were taken in the context of the budget. They were not major, but some measures were taken. In addition, there are the more disaggregated impacts. We have continued to do that. I take the Deputy's point. We need to drive that down through the organisation. The Deputy's core question is whether I am comfortable that what I have at the moment is at a good level. No, our manpower plan is for higher than what we have. However, there is the reality of trying to get people through the door. We have had a very high turnover of staff. A 14% turnover in the course of a 12-month period in an organisation the scale of ours is quite significant. Some of it is as a result of our success during the crisis of getting very good, highly-qualified people in who are now doing well within the Civil Service. Most of those people did not leave the public service, but moved within it. That is the benefit of it, but it creates a problem and stretches us.

Deputy Pearse Doherty: Of course it does. Qualifications are one thing, but experience is another-----

Mr. Derek Moran: Experience, no doubt-----

Deputy Pearse Doherty: At this point in time, for an organisation with that type of turnover, there may be very little that can be done about it. It is a serious problem.

The Secretary General talked about whole of Government or whole of Department responses in terms of intergovernmental groups in which the Department of Finance participates. Does the Department sit on the interdepartmental group on trade, which is chaired by the Department of the Taoiseach?

Mr. Derek Moran: I do not think that we do. Do we, Mr. McCarthy?

Mr. John McCarthy: The senior officials group.

Mr. Derek Moran: The senior officials group.

Mr. John McCarthy: Is the Deputy talking about Cabinet sub-committee?

Deputy Pearse Doherty: No. I am talking about interdepartmental groups. The officials will know the glossy brochure that the Minister for Finance published as part of the budget, entitled Getting Ireland Brexit Ready.

Mr. Derek Moran: Yes.

Deputy Pearse Doherty: In the brochure the Minister mentioned interdepartmental groups on trade and that Revenue sits on the group.

Mr. Derek Moran: There are a series of groups that support the Cabinet committee on Brexit. I am sorry but I was not quite clear what the Deputy's question was. For the trade piece Revenue takes the lead in terms of customs, customs preparedness and business facilitation in the event of Brexit. Six groups sit underneath the senior officials groups on the Cabinet committee in which we participate.

Deputy Pearse Doherty: In which groups does the Department of Finance participate?

Mr. Derek Moran: The Department is involved in all of them.

Deputy Pearse Doherty: Can the Secretary General name the groups please?

Mr. Derek Moran: I do not have that information with me.

Mr. John McCarthy: I do not have the right thing with me.

Mr. Derek Moran: We will forward the information to the Deputy.

Deputy Pearse Doherty: I am interested in the group on trade. Earlier we discussed tariffs. Let us consider the brochure prepared by the Department that contains great statistics. It states that the exports of food and beverages to the UK amounts to 65%, traditional manufacturing accounts for 36%, materials 38% and electrical equipment 49%. The tariffs scare people. How many meetings of the interdepartmental group have taken place? Does the Secretary General sit on the interdepartmental groups? If not, then who does?

Mr. Derek Moran: No. It would be a range of staff from across the Department. I do not have the information with me but I can forward it to the Deputy.

Deputy Pearse Doherty: Brexit is the number one issue at present. It is not good that the Secretary General of the Department of Finance does not know who sits on interdepartmental groups that deal with Brexit. I presume it is one of the four departmental officials. I worry about how prepared we are and how much detail we have on the challenges facing us. I accept that we must have a whole of department approach because that is exactly what we need. Our best and brightest people must work together on this issue. I do not know what official from the Department of Finance is on the group. Should it be the Secretary General?

Mr. Derek Moran: By and large, Dr. Nicholas O'Brien, who is the head of the international division, is the key co-ordinating person who participates in several of the groups. The principal officer who works in the area is Ms Niamh Campbell and she sits on these groups. Then there is the technical support of the likes of the Revenue Commissioners and so on. I do not have the information in front of me but these are senior official groups.

Mr. John McCarthy: It is worth mentioning that as the issues change, I mean if it is about financial services or something else, the composition or attendance will change. In other words, it would not make sense for me to go along to talk about something that is in Mr. Hogan's area and *vice versa*. The co-ordinating unit, of which the principal officer would attend all meetings, is the way we organise it.

Mr. Derek Moran: The attendance would generally be at the level of assistant secretaries. I would go along to the Cabinet sub-committee with the Minister when it arises. That is the way it is structured.

Deputy Pearse Doherty: I have not been reassured by what has been said. I understand that when questions arise, in particular when one seeks specific details on the number of meetings, the witnesses would not have the information to hand. Mr. Moran is the most senior person in the Department of Finance. His officials attend interdepartmental committees that are trying to deal with the challenges posed by Brexit. I presume that information is given to the Secretary General. I ask the Department to provide to the committee the groups that have been established in which the Department of Finance participates, the dates when the meetings took place and the individuals from the Department of Finance who attended.

Mr. Derek Moran: We will do so.

Deputy Pearse Doherty: Before the budget we had the great unknowns. I mean that the

Minister said that we did not know the type of Brexit because we did not know the outcome of the elections.

Earlier President-elect Trump was mentioned. Last week I visited Washington to discuss his intentions with a number of Congressmen and senior officials. Trying to read his mind is a difficult job. On my visit there was a consensus to have a change in tax. There will be a compromise between what the Republicans and the President want, resulting in a change. That is just what they think and there is no guarantee that it will happen, but that is the consensus that I detected in Capitol Hill last week.

I raise this point because we are exposed. How ready are we for the responses? Some of this matter is outside our control. We can pretend that we have a significant influence and can shape what Britain and the EU will do. While we need to influence them as much as possible, is it not the case that, given Mr. McCarthy's point on the impact that a hard Brexit will have on the economy, employment and the available fiscal space, we have been left with little wriggle room to respond to some of the major challenges facing us on either side of the island of Ireland?

Mr. Derek Moran: We included a risk assessment in the budget documentation. The risks, which are external, are balanced on the negative side. It is a technical way of describing the same thing. We have exposures on both sides and a degree of uncertainty.

Not unlike the Deputy's case, although a range of views on what would happen were expressed while I was in Washington, the consensus was that something would happen. It would be the first time since 1987 that anything substantive happened in the corporate space.

Undoubtedly, there are risks and exposures on both sides, but the Deputy should remember that there are also opportunities. Britain will be outside the EU, but FDI will still want access to the Single Market and Ireland remains an attractive place in that regard. The nature of tax reforms in the US will be interesting to see. The devil is in the detail. There has been talk of taxing anything sold by companies that do not come home, but a great deal of FDI is selling into Europe, the Middle East and Asia, not the US. We have always highlighted that our exposures are more on the international side, be they to Brexit or changes in the US. Does Mr. McCarthy wish to discuss the risks?

Mr. John McCarthy: We included a new innovation in the budget documentation. We produced a risk assessment matrix for the economy and the public finances. It might be worth examining. It is a nice piece of work, even if I say so myself.

We are very small and the world is globalised. From a treasury or finance ministry perspective, that puts an additional premium on policy caution. I do not want to delve into the policy space, but the Deputy will be aware that the Minister announced a rainy day fund and that debt would go to 45% of GDP by the middle of the next decade. All of these measures - I am only repeating what he said - are concerned with building up fiscal safety buffers so that, if the situation goes wrong and the risks materialise, we do not have to be pro-cyclical and can instead allow the automatic stabilisers to operate.

In every document that the Department of Finance publishes, we refer to the need to remain competitive. So many of these factors, including the exchange rate, oil prices and world demand, are beyond our control. We cannot influence them, but we need to be able to be flexible and to be able to respond so that, if shocks materialise, we are in a healthy position and do not have massive peaks and falls in GDP.

I agree that there are many risks. They are not just from the President's side on corporation tax. Obviously there is a concern about issues such as protectionism. For an economy such as ours, where trade and FDI is our lifeblood, protectionism would not be good. On the upside, or perhaps on the downside, there is the overall fiscal package that appears to be likely from the new regime in the US. It would appear that there will be some form of fiscal stimulus, possibly on the infrastructural side. There may be some form of tax cuts, although their economic impact may not be great if they are at the upper end of the income distribution. There are some issues there. We may see some form of short-term fiscal stimulus in the US which could easily be transmitted globally. That should be borne in mind as well. I hope I have not gone off on too much of a tangent.

Deputy Pearse Doherty: That is okay. I wish to raise another point. There has been much talk about Ireland's gain from financial services locating here. Figures have been thrown out in terms of the amount of jobs it would create and dramatic numbers such as 20,000 have appeared in the media, etc. Industry sources have told me that the potential for Ireland's gain from financial services is quite less than that. That is their view and it is only a view. I have picked it up from a number of individuals, however, who said it in terms of jobs particularly.

In the context of Brexit, do the delegates believe that the financial services division has the capacity to deal with the relocation of firms from London to Dublin? Going back to resources, is it adequately resourced to deal with the risk and issues such as stability and compliance? Do they believe that the resources are there to deal with what could potentially be a large influx of financial services coming to our capital?

Mr. Derek Moran: These issues are largely on the regulatory side of the bank and whether it has the capacity to assess and approve. Both the Governor and the regulator have said that they are open for business and have the capacity to do it. As did Deputy Doherty, I have heard the possible range involved. There is opportunity, but how big will it be? More generally, if we were to look at it in the round, there is talk about financial services going to Frankfurt, Paris and so on but the risk for Europe and Britain is that a global financial centre such as that in London would go to New York. Strategically, that is the biggest challenge for everyone that moves outside of Europe, but that is a different issue. The bank has indicated that it will deal with these and that it has and should have the capacity to do it.

Senator Kieran O'Donnell: I welcome Mr. Moran and his colleagues. What does Mr. Moran consider the biggest single issue facing the Irish economy?

Mr. Derek Moran: In terms of risk, we have been dealing with it over the past while. It is the change in the environment in both the US and Europe over the next number of years. It evolves and changes very quickly. This time next year we could have much greater clarity about the US and it will be either less of a problem or a very big one. It is that external domestic uncertainty. It is a sluggish European economy overall in terms of a potential GDP shock. Europe is not growing as fast as it should be and a Europe without Britain will grow slower. Those external factors are the biggest-----

Senator Kieran O'Donnell: It is both the Brexit and the Trump factors.

Mr. Derek Moran: Brexit, Trump and a Europe that is not growing post-crisis in a way one would hope. The European Commission spoke of a fiscal stimulus of approximately 0.5% of GDP. There was a loosening of the budgetary stances of those European economies that can afford to do it. These would include Germany and other such countries. However, there is no pol-

icy willingness within the German context to do that, although it is the country best positioned to do it. Many other countries are still in a corrective phase and trying to get their budgets in order and so on. Therefore, we have this prolonged period of very slow growth within the EU combined with the uncertainty of Britain, which is the most dynamic of the bigger economies, moving out of the EU along with all the issues going on in Europe.

Senator Kieran O'Donnell: Taking from that, I will direct a question at Mr. McCarthy. Given what has been announced by Prime Minister May in terms of Brexit and the outcome of the elections in America and President-elect Trump, do the figures for budget 2017 stand up? Do the assumptions that were made in the budget still stand up?

Mr. Derek Moran: I will let Mr. McCarthy take this one, but the answer is "Yes". We did factor it in. For example, in the absence of Brexit we would have assumed a growth rate that was higher by 0.5%. We have taken that out and have buffered against it in our assumptions. I will let Mr. McCarthy pick up on this further, but at this point I do not think we will be changing our assumption. It does not mean that if tax revenues and activities soften during the course of the year it will not change but at the moment they still look sound on the basis of that, if one likes, pre-emptive reduction or assumption of an impact of Brexit.

Senator Kieran O'Donnell: Do the assumptions, including those in terms of the exchange rate with sterling, still stand up?

Mr. John McCarthy: By and large, they do. A lot of water has gone under the bridge between now and October 2015. We projected a GDP growth rate of 4.2% for last year, slowing moderately to 3.5% this year which, as Mr. Moran stated, took into account a Brexit-related impact of 0.5% in the short-term. Given the strong figure for the third quarter, the indications are that the figure for last year might come in somewhere in excess of the 4.2% projected and it is fair to say that high frequency data in the fourth quarter will support a reasonably strong figure for that quarter as well. For the year as a whole, it may come in slightly ahead of the 4.2% that we had assumed.

We had assumed a deficit last year of 0.9%. Taxes came in about €250 million shy of where we thought they would be but expenditure kind of offset it by coming in below what was estimated. We are very much on line for our headline deficit of 0.9% for last year. More important is going forward.

Senator Kieran O'Donnell: I am talking about 2017.

Mr. John McCarthy: We had projected a figure of 3.5% for this year. This figure was endorsed by the Irish Fiscal Advisory Council, as now required under European legislation. At the time, we described it in the budget as the baseline scenario. We did, however, say that the confidence bands around the central scenario were wide and that risks were skewed to the downside. The risks were, as we all know, the world economy, the European economy, Brexit, etc. At the time, we did not know President-elect Trump-----

Senator Kieran O'Donnell: You know now.

Mr. John McCarthy: We know now. We did identify the risks as being tilted to the downside. I still think that to be the case. I think that is the case for Ireland and most advanced economies. I think it is the case for the UK and certainly the euro area as well as the US. In terms of a public finance perspective-----

Senator Kieran O'Donnell: Mr. McCarthy might expand on that. Mr. McCarthy made reference to many different changes. The ordinary person will want to know certain things. We have spoken about jobs and 40,000 fewer jobs was mentioned. Increasing the terms of the national debt by €20 billion was mentioned. A reduction in exports to the UK by one third was also mentioned, something which will have an exponential impact on the SME sector because they are exporting to the UK. Many of those in the sector are constituents of mine in Limerick that employ a lot of local people. This is my question: What impact will Brexit have on the overall tax intake and, by implication, the money available for spending on public services? Is it true to say that Mr. McCarthy sees no requirement to adjust the current budget?

Mr. John McCarthy: No, because we are now in the preventive arm of the Stability and Growth Pact so our fiscal requirements are set on the basis of the structural deficit. Cyclical variations in tax and expenditure are removed from the calculation. Our requirement, and Government policy, is to balance the books in structural terms by 2018 and our arithmetic takes that into account. If there is a cyclical shock to the economy it should not affect the structural number. It will affect the headline number-----

Senator Kieran O'Donnell: It will affect the amount of money the Government has available to spend on public services.

Mr. John McCarthy: It would not, because fiscal policy is set on the basis of the structural balance rather than the headline balance. One can absorb a short-term shock but if it was to become more prolonged one would have to react.

Senator Kieran O'Donnell: In actual terms, how much does Mr. McCarthy anticipate will be the reduction in tax intake and money available for spending?

Mr. John McCarthy: I still think we are very much on target to achieve our headline deficit of 0.04% for this year. That would mean tax revenue of just north of €50 billion, its highest level ever. There is a lot of uncertainty but we assumed a euro-sterling exchange rate of 0.85 and it was 0.86 as of yesterday. We have a bit of depreciation *vis-à-vis* the dollar, which will help. Our assumptions for euro-dollar were 1.12 but yesterday's rate was 1.06.

Senator Kieran O'Donnell: Mr. McCarthy is saying that economic output would be between 3% and 4% lower than if Brexit had not happened.

Mr. John McCarthy: After ten years.

Senator Kieran O'Donnell: What impact will that have on taxes? Please quantify the figure for me.

Mr. John McCarthy: After ten years it would raise the deficit by a percentage point and would add ten percentage points to the debt ratio, with a ballpark figure of €20 billion. However, that assumes no policy response. It is a baseline assumption and if it comes about one would advise the Government and the Minister and he or she would then decide on a policy response.

Senator Kieran O'Donnell: The €20 billion would be €2 billion per year on average.

Mr. John McCarthy: Roughly, yes.

Senator Kieran O'Donnell: It is quite significant. Mr. McCarthy said a unit of four people had been set up. What does the unit do?

Mr. Derek Moran: Its job is to co-ordinate the Department's participation in the cross-Government structures for Brexit. It is also its job to participate in those structures.

Senator Kieran O'Donnell: What are the people involved qualified as? Who heads up the unit and to whom does that person report?

Mr. Derek Moran: The assistant secretary is the head of the unit and a former diplomat. The principal officer is a long-term EU expert who has worked on EU budgetary matters and was previously in the representations in Brussels. The assistant principal was on his way back from Brussels to work for Mr. McCarthy and we diverted him from the economic unit into this unit. We will want to get a legal person because a lot of the negotiation will be around legal texts.

Senator Kieran O'Donnell: This is the first occasion we have had the opportunity to ask the Department about how exactly we are getting ready for Brexit. Does Mr. Moran think that a section of four people to deal with Brexit is adequate? Mr. McCarthy raised the issue of tariffs and we are an export nation. What percentage of our GDP is driven by exports?

Mr. Derek Moran: This unit was set up to co-ordinate the effort. Brexit is an issue on the agenda of everybody across the Department, whether it is financial services, taxation or some other area, and this unit brings all the strands together as part of the overall Government effort.

Senator Kieran O'Donnell: Is it adequate?

Mr. Derek Moran: If it is not, we will redeploy more people. This is a start but they might come to me and say they need more people.

Senator Kieran O'Donnell: How long have they been up and running?

Mr. Derek Moran: Approximately six months.

Mr. John McCarthy: The percentage of GDP varies from year to year. On average, between 110% and 120% of GDP is accounted for by exports. It is greater than GDP but exports have an import component which brings it below GDP.

Senator Kieran O'Donnell: What would happen if tariffs were to come in?

Mr. John McCarthy: At WTO tariffs this would reduce exports to the UK by about 30% and overall exports by 4%. The Senator made a valid point when he said the SME sector is disproportionately impacted in comparison with the multinational sector

Senator Kieran O'Donnell: If tariffs came in there would be a fall of 30% in our exports to the UK.

Mr. John McCarthy: Yes.

Senator Kieran O'Donnell: What impact would that have on our GDP?

Mr. John McCarthy: It would take four percentage points of overall exports. We tend to assume an import margin of about 0.5 of exports so two percentage points might be taken off exports in the short term.

Senator Kieran O'Donnell: There would be a deep reduction in employment, of some 40,000.

Mr. John McCarthy: Relative to baseline.

Senator Kieran O'Donnell: Would those 40,000 come from export-orientated SMEs into the UK?

Mr. John McCarthy: In the first instance it would come from people in the trade channels and the exporting sectors, primarily the SME sector. That reduces consumption in the economy and it would have an impact on domestic demand, leading to downstream effects.

Senator Kieran O'Donnell: Will Brexit have an exponential impact on the SME sector in comparison to others?

Mr. John McCarthy: Yes, without a doubt.

Deputy Michael D'Arcy: Has the Department calculated what proportion of the 30% is agriculturally-impacted? Am I correct that the WTO tariffs are primarily attached to food?

Mr. John McCarthy: The very large ones are in the agricultural sector. I can let the Deputy have the WTO document which is in front of me. It shows that for meat it is 50%, the highest, while cereals are 45%, and sugars, confectionery and tobacco, processed meat and fish, dairy, honey, eggs and flour come next. The first ten or so are agricultural.

Deputy Michael D'Arcy: The agricultural sector will have a major problem if we end up with this scenario.

Mr. John McCarthy: Absolutely.

Deputy Michael D'Arcy: Mr. McCarthy is in charge of modelling.

Mr. John McCarthy: Yes.

Deputy Michael D'Arcy: He has modelled a WTO arrangement with the ESRI but has he modelled a trade war scenario?

Mr. John McCarthy: No.

Deputy Michael D'Arcy: Should he?

Mr. John McCarthy: On the basis of Trump or Brexit?

Deputy Michael D'Arcy: I am talking about a bit of both.

Mr. John McCarthy: To be honest-----

Deputy Michael D'Arcy: Can I just qualify this because Mr. Moran mentioned the domestic standing group, DSG, which modelled nice gentle scenarios? Mr. McCarthy has modelled the World Trade Organisation because Theresa May said last week if a bad deal comes there will be no deal but he has not modelled what I described in the Banking Inquiry, as the doomsday scenario. He has done some but not all the modelling.

Mr. John McCarthy: We have done very bad but we have not done Armageddon.

Mr. Derek Moran: The Deputy's point is well made. Early last year we did one for a global gross domestic product, GDP, shock to the Irish economy. One goes for the modest one, what happens if 1% falls off and that is the modelling. We considered what a 3% GDP shock would

look like. That would mean all the major economies were in recession and gives a much better fix. The challenge always is to get the balance right. Modelling mild shocks gives only mild answers. We do need to look beyond that. That is why we have tried to do things like the 3% global shock and some of the advanced work around what these would look like on the tariff front and so on. Models give an answer based on what is put into the model. The world often turns out to be quite different when mitigants come into play and things evolve but the point is well made.

Mr. John McCarthy: The Deputy does make a good point. One of the biggest medium-term risks to Ireland because it is a global issue is the potential for a negative feedback loop between protectionism leading to low growth and hence to calls for more protectionism, which is essentially what I think the Deputy is talking about in terms of a trade war and greater protectionism and so forth. The priority at the moment is Brexit, as the Deputy can understand.

Deputy Michael D'Arcy: The witnesses have not filled me with confidence about the level of preparedness for Brexit. I should not be saying this but surely somebody should have learned the lessons of the past. There were hard lessons learned which showed that the worst case scenario should have been modelled.

Mr. John McCarthy: The worst case scenario was modelled-----

Deputy Michael D'Arcy: No it was not.

Mr. John McCarthy: -----a hard exit.

Deputy Michael D'Arcy: The worst case scenario has not been modelled. A trade war is the worst case scenario.

Mr. John McCarthy: I do not think trade war is-----

Deputy Michael D'Arcy: Let me finish. I know as a result of the speech by the Prime Minister, Theresa May, last week people are saying the worst case scenario was modelled. There is a worse case than a bad deal which is no arrangement falling on the WTO. The witnesses did not model a trade war, which could happen and could have a really catastrophic impact on the agricultural sector in this country. The modelling is based on 50% WTO targets for agriculture but if there is a trade war that could be 75% or 100%.

Mr. John McCarthy: We have prioritised work to be Brexit, which is appropriate. Trade war is certainly a possibility but I do not think it is a possibility for this year or next or the next couple of years. It could certainly be seen in later years if there is still this secular stagnation, weak world growth and so forth. We have to prioritise the issues we see, the most important of which is Brexit. That is what we have done. We can of course attempt to simulate the impact of a trade war but for the moment we are focusing our modelling on WTO type arrangements.

Deputy Michael D'Arcy: I hear what Mr. McCarthy is saying but does he hear what I am saying? It needs to be done.

Mr. John McCarthy: I do.

Mr. Derek Moran: The point is well made. To take an excessively benign view of risk and not move two or three steps out - and I gave the example of taking a 1% global GDP shock where the implications are fairly minor. Going 2%, 3% or 4% out means a global recession and its ensuing impact. We are not disagreeing.

Deputy Michael D'Arcy: The witnesses hear what I am saying, that it should be considered.

Mr. John McCarthy: In our stability programme in the budget documentation we provide a sensitivity analysis, for every one percentage point below our assumption of world growth we ask what is the impact on Ireland. That is published. That is done every year.

Deputy Michael D'Arcy: I have seen that.

Mr. John McCarthy: We could easily say a trade war leads to two percentage points off world growth, there is the impact on Ireland. It is not done specifically via a trade war.

Deputy Michael D'Arcy: I think that analysis needs to be considered, in particular there needs to be an alarm bell in the sectors that are most vulnerable. There could be individuals in the agricultural sector prepared to spend €200,000 or €300,000 on a dairy unit. They need to be told the projections are that this could happen.

Mr. Moran is one of the most senior civil servants in the country. How many years has he been in the Department of Finance?

Mr. Derek Moran: Twenty-six.

Deputy Michael D'Arcy: He is no spring chicken in the Department.

Mr. Derek Moran: No.

Deputy Michael D'Arcy: Should there be a special Department to deal with Brexit?

Mr. Derek Moran: I suppose that is a decision for-----

Deputy Michael D'Arcy: I am aware of that. I am asking Mr. Moran's opinion.

Mr. Derek Moran: I will make an observation on the UK arrangements where there is a Department of Brexit, Dexit. Looking at it from the outside, I am not sure that it is running Brexit. It has to draw in all the inputs from everybody else but the call is with the Prime Minister, Theresa May. The seminal speech that clarified this was by the Prime Minister. On balance, the way we are going about it with the lead being taken in the Taoiseach's office to bring together all the strands across Government is the best. This is a policy call. In the UK it all goes back to the Prime Minister's office to bring together all its strands. It is a half answer.

Deputy Michael D'Arcy: It is approximately a quarter answer.

Mr. Derek Moran: The Government will decide whether to have a Brexit Department.

Deputy Michael D'Arcy: Mr. Moran tends to speak his mind even if it is not popular and against the-----

Mr. Derek Moran: I find it very difficult to see how somebody with responsibility solely for Brexit would function. The agricultural challenges will be dealt with by the Department of Agriculture, Food and the Marine and the surrounding agencies. The trade issues are complex. I have been criticised throughout the morning for having a co-ordination unit and asked is Brexit not wider than that, should it not be bigger than that-----

Deputy Michael D'Arcy: I think the criticism is that it was not particularly big. It is a little

co-ordination unit.

Mr. Derek Moran: We will not revisit that. We are talking about a Department that takes on that function solely because the functional responsibilities are dotted around the system. Through the authority of the Prime Minister's or Taoiseach's office is the best way. To be honest, I would not fancy the job.

Deputy Michael D'Arcy: Even with Mr. Moran's experience.

It has been said that several agricultural tranches will be transferred to vulture funds. Is Mr. Moran satisfied that there are sufficient checks and balances within the system, whether through the Financial Services Ombudsman or other agencies, to protect people who start a loan with a bank or other financial institution, which is transferred to another structure because it is only a structure, not a bank?

Mr. Derek Moran: Generally speaking the Department's position on this has been that the law does adequately protect in these cases. Notwithstanding that, we are always open to listen to what else can be done. Mr. Hogan knows a lot more about this than I.

Mr. John Hogan: One of the initiatives we introduced in recent years was the credit-servicing legislation. We were acutely aware of the situation where a loan was being transferred from a regulated institution to an unregulated institution. We were conscious that the protections the borrower had in place under Central Bank rules, such as the code of conduct on mortgage arrears and the SME regulations, would travel with that loan. We took quite a bit of time to decide on the proper approach to the development of the legislation in question. We targeted the front-facing element - the credit-servicing firms - when we introduced the new category of regulated institution which is now under the supervision of the Central Bank. The Central Bank has been putting regulations in place to deal with that. The legislation was introduced 18 months ago. The Central Bank has been dealing with many credit-servicing firms on an ongoing basis. According to the most recent information provided to me, 15 or 16 credit-servicing firms have been authorised on a transitional basis by the Central Bank as they move into the more regularised and formalised structure. As the Secretary General has said, we are conscious that this area is evolving. We want to keep a close watch on what is happening in it. We expect the Central Bank to be an active regulator. If there are particular issues which require us to look again at enhancing the legislation by introducing new elements to it, we ask the Central Bank to bring them to our attention. The Central Bank has not yet raised any such issues with us.

Deputy Michael D'Arcy: One cannot take a case to the Financial Services Ombudsman if the amount of money involved is over a certain threshold, which, I think, is €3 million.

Mr. John Hogan: In terms of turnover, yes.

Deputy Michael D'Arcy: When the managing director of Ulster Bank was in attendance at a previous meeting of this committee, I raised a case in which a tranche of funding was transferred from Ulster Bank to Goldman Sachs. There was an attempt to push out the owners, but they were obliged to go to court, which was very expensive, because the threshold was over €3 million. Does Mr. Hogan believe the €3 million threshold should be raised?

Mr. John Hogan: The Financial Services Ombudsman legislation is being reviewed at present. I understand this committee has had some deliberations on it.

Deputy Michael D'Arcy: Yes.

Mr. John Hogan: The €3 million figure is a common one across the system, including in areas like personal insolvency. It is pitched at a particular level. We have not had strong calls for it to be raised.

Deputy Michael D'Arcy: I am asking-----

Mr. John Hogan: This is the first time it has been raised with me. I think we would have to look at the impact of such an increase on the Office of the Financial Services Ombudsman, which has a strong role to play within the financial services architecture. It was part and parcel of the legislation that the Financial Services Ombudsman would be involved as an option for borrowers to turn to in the event of difficulties.

Deputy Michael D'Arcy: Now that a number of tranches of funding have been transferred from a number of institutions to these vulture funds, the potential exists for such funds to have many more opportunities to play hardball with those who exceed the threshold of €3 million in turnover. Perhaps that figure needs to be revisited by the Department of Finance, which is the lead Department in this regard.

Mr. John Hogan: That is ultimately a policy matter. It is a little difficult to discuss policy matters here. We would have no difficulty with taking the Deputy's suggestion away with us.

Deputy Michael D'Arcy: Has the Department received many complaints about sharp practice by the vulture funds? Would the Department be-----

Mr. John Hogan: Yes, our division deals with this. I am not sure that very many complaints have been made directly to us. I do not think we have received many complaints. Again, it is a question of what we would expect the Central Bank to feed back to us about its experience with the credit servicing firms and the activities it is seeing. To date, nothing has been coming across in a strong way from the Central Bank's experience.

Deputy Michael D'Arcy: I would like to ask Mr. Moran about the financial stability group. Who sits on that group?

Mr. Derek Moran: The second Secretary General of the Department, Ms Ann Nolan, and I sit on it.

Deputy Michael D'Arcy: Ms Nolan was previously in the Central Bank.

Mr. Derek Moran: No, she is the second Secretary General in the finance directorate of the Department of Finance. The Governor of the Central Bank and the two deputy governors, as well as the chief executive officer and head of funding of the National Treasury Management Agency, also sit on the financial stability group. The secretariat is provided by Mr. Hogan's division. It has taken us some time to move from the principals group, which had no terms of reference other than managing the issues, to the development of a set of terms of reference by this group so that it can have interactions. This group did not have its first meeting until Monday of this week.

Deputy Michael D'Arcy: It had not met previously.

Mr. Derek Moran: Sorry, that group of people has met once a month in all the time I have been Secretary General.

Deputy Michael D'Arcy: Mr. Moran is talking about the principals.

Mr. Derek Moran: We met as the principals but we have now changed it and we met for the first time this week in the new format.

Deputy Michael D'Arcy: This week.

Mr. Derek Moran: Yes.

Deputy Michael D'Arcy: Is Mr. Moran satisfied that the banking sector poses no risk to Irish fiscal stability?

Mr. Derek Moran: That goes back to our discussion on modelling and trying to work out what these things might look like. I think we can share with the committee the-----

Deputy Michael D'Arcy: I had forgotten modelling until Mr. Moran mentioned the domestic standing group.

Mr. Derek Moran: Yes.

Deputy Michael D'Arcy: Then I remembered a lot of modelling.

Mr. Derek Moran: The reality is that bringing exercises of this nature up to this type of level gives them an authority they might not have had historically when they were conducted by groups like the domestic standing group. The Deputy's point is very well made. The role of the group is to look at things that we almost cannot conceive of happening. It is a question of the extent to which we can look through crisis simulations. The real dilemma is that when one is preparing for the next crisis, one is really only looking at the last one.

Deputy Michael D'Arcy: Absolutely.

Mr. Derek Moran: There is need to rethink and reinvent. There is no suggestion in what we are looking at that it is going to happen. When we look at what would happen if there was a 3% global GDP shock, we are not saying that it is going to happen. We are looking at what it would look like and what responses might be necessary. That is a core part of the work of this group, which allows for the wider sharing of information across the institutions. There is an added piece around the terms of reference. We are happy to share the terms of reference with the committee.

Mr. John Hogan: It might be helpful for me to speak about the high-level objectives of the group. It will have a fluid mandate and it will adapt to the circumstances it faces. Its principal objectives are to monitor and share assessments of risk to the Irish financial system and the Irish economy; to co-ordinate systemic crisis management, including contingency planning and implementation of financial sector crisis management measures; and to discuss economic or financial policies which have repercussions for financial stability in order to achieve optimal policy outcomes. That is a flavour of it. As the Secretary General said, we are happy to share some of the details.

Mr. Derek Moran: I would like to comment on one of the reasons for moving this into a different format. The principals group was very much a group of the crisis. We are still dealing with the legacy issues from that time. The previous group focused on that. We want the new group to be much more forward-looking. It will take us time to bed this down. There is a need to acknowledge that we are getting these people in a room once every month to share what they know. We have committed to publishing the minutes. I think this gives confidence that we are looking at the issues.

Deputy Michael D'Arcy: There was some surprise that the Italian Central Bank was obliged to fund a financial institution in Italy. We were all under the impression that this would not happen again because the link between states and financial institutions had been broken. Could this happen here again?

Mr. Derek Moran: In terms of resolution, there are now bail-in provisions as part of an entire structure at EU level that was not there up to now.

Deputy Michael D'Arcy: Even though that is now in place now, the Italian Central Bank-----

Mr. Derek Moran: I think there are peculiarities to the Italian situation. There was an element of mis-selling to customers who thought they were putting their money in savings but were putting it in bonds and creating an exposure for themselves. There is a definite difference. It is a marginal difference. The Deputy referred to "sharp practice" in how some of the banks behaved. They mis-sold to people who believed they were saving but were buying bonds in the bank.

Chairman: I remind Deputy D'Arcy to keep an eye on his time.

Deputy Michael D'Arcy: I will conclude by asking Mr. Moran about public sector pay. Gardaí have been given €50 million. I nearly said €50 billion. The €1,000 per employee will cost another €120 million. Is Mr. Moran satisfied we are going in the right direction with public sector pay and paying moneys for which we did not budget two months ago? Neither was part of the Government's figures three months ago.

Mr. Derek Moran: It is a significant challenge. In briefing this week, the Minister for Public Expenditure and Reform stated this must be met within the existing allocation. One asks how this can be done without reducing services and Mr. McCarthy referenced that at the end of the year, a tranche of money is always handed back but we are eating this up fairly quickly. The committee would expect me as Secretary General to state that when we settle a budget we should settle it so there are not progressive add-ons. As Mr. McCarthy alluded to, the real difficulty is we are still in the preventative arm of the Stability and Growth Pact. We are obliged to get out of it over a specified time and we must get out of it within a certain set of financial constraints. The constraints within which we work are statutory in nature and even constitutional under the fiscal treaty. There is only so much room for manoeuvre. Something positive this week was the reaffirmation that the way forward is the Lansdowne Road agreement and keeping it intact. There will be a normal process of negotiation.

Deputy Michael D'Arcy: Is the Department holding its breath a certain amount and hoping the heads will come in ahead of what was predicted?

Mr. Derek Moran: It is not really a situation that if I have the tax then it is okay because we have moved to a structural-----

Deputy Michael D'Arcy: One would swear we were there before.

Mr. Derek Moran: Let me be clear, this is where the structural measure, which is very difficult to understand and technically very complex, is important. We could have a situation where if cyclical taxes fell away we would not have to adjust as rapidly because it was a temporary blip and we would be allowed to continue to spend. It is not a kick and hope situation. At this stage these costs can be absorbed. Our absolute obligation beyond the trajectory is to have a

balanced budget in cyclical terms for next year, which would allow us greater freedoms once we are outside the preventative arm.

Chairman: I thank Senator D'Arcy. I apologise - Deputy D'Arcy. I keep demoting him.

Deputy Michael D'Arcy: So long as the people of Wexford do not do so I do not mind.

Senator Gerry Horkan: He is in the Lower House now.

I thank the witnesses for their contributions. The Brexit debate has been very important and essential. The Department is much more than Brexit and has a huge amount of bodies under its remit, with 18 listed in the statement. I want to touch on some other relevant points. I did not see a date in the statement of strategy. Other than the reference to knowing Brexit has happened I do not know when it was published, and whether it was just after Brexit or in the past two weeks.

Mr. Derek Moran: It was at the end of the year. Under the Public Service Management Act we are required to publish it within six months of the appointment of a Minister in a new Government.

Senator Gerry Horkan: It might be helpful to put a date on it. I could work out it was post-Brexit from the fairly minimal amount of references to Brexit.

Two separate sentences, that the Department will continue to work at international level to help influence debate on corporate taxation and the Department will be at the forefront of the legal challenge to the European Commission state aid ruling with respect to Apple, flow into each other in the statement, but they are two huge topics which cover the CCCTB, BEPS, the OECD, everything relating to global tax planning and Apple, and how dependent we are as a State on a very small number, perhaps seven, eight or ten, of large multinationals which contribute almost half our corporation tax. We have touched on Brexit and mentioned Trump, but how exposed are our tax revenues and our economy to the revenues generated by these enormous multinationals, and what is the Department doing and looking at in this regard? Enormous figures are generated by a very small number of companies. How volatile could these figures be? We looked at the debt-to-GDP ratio. This is falling, but a portion of this is because GDP is rising as much as because debt is actually falling. It is a fair comment, but if it is not the witnesses might tell me so. I ask the witnesses to discuss the CCCTB and Apple.

Mr. Derek Moran: The CCCTB has been around for a very long time. This may well be its third or fourth iteration. When I look back, the first reference I can find to the European Commission harmonising corporate taxation is 1972, in our White Paper on accession to the EU. This is not a new issue. The most recent proposal separates the base from consolidation. Consolidation is the part where this breaks down, because what we are discussing is redistributing on a forwarding basis from one country to another. VAT is for when something is sold in a country, I would say. The fact that profit is generated is not relevant as the VAT part of it is already picked up. The Oireachtas, along with six or seven Parliaments in Europe, has rejected the CCCTB, not enough to give it a yellow card and go back to the drawing board but it shows a level of concern and unhappiness.

Senator Gerry Horkan: Does Mr. Moran believe it is going nowhere?

Mr. Derek Moran: It has been on a long journey and I cannot see an endpoint for it. I would be very open about this. If we have this level of concern in this number of Parliaments

on an issue that must be adopted by unanimity-----

Senator Gerry Horkan: Is the Department not enormously concerned about its impact?

Mr. Derek Moran: Not to engage on this would be foolish and we always-----

Senator Gerry Horkan: Which is why the committee issued a reasoned opinion in December on this very point, to ensure if no other country had a problem with it that we do. Unfortunately not enough other countries did so to give it the yellow card.

Mr. Derek Moran: The yellow card would only have been a temporary measure but it would have stopped it. In previous iterations of this proposal, parliaments were not given a role. This is relatively new. It is important and it is a signal. We found in the past a very large quantum of member states have many concerns about this. It would probably significantly narrow our tax base and cost us money on this basis. There is an appetite in some member states to harmonise the base throughout Europe, but this will be agreed as a total package and there is a degree of parliamentary opposition to it. I am not saying it will not happen, and we will engage throughout because not to engage with it would be-----

Senator Gerry Horkan: The Department's opinion-----

Mr. Derek Moran: My instinct, having watched it, is it is not going anywhere very fast.

Senator Gerry Horkan: Mr. Moran is as opposed to it as the committee.

Mr. Derek Moran: Personally, yes.

Senator Gerry Horkan: With regard to Apple, the Department will be at the forefront of the legal challenge to the European Commission state aid ruling with respect to Apple. Commissioner Moscovici will come before the committee next week to discuss the CCCTB and the week after Commissioner Vestager will come before the committee to discuss the Apple ruling. What work has the Department been doing that it is allowed to share with us?

Mr. Derek Moran: This is a case before the courts. We submitted the legal challenge in December. I understand the company also made a submission, which is related but separate. The grounds of the challenge were published and it will now go through the court process. We are in a process and because of the ruling we are obliged to collect the money. We are working our way through it. What we get in the Commission's finding is a formula, on which it guesses an amount. The €13 billion was part of a press briefing and not part of the decision, which gives the formula. We must work through what that might be, year by year, over a period of ten years and agree it with the Commission.

Senator Gerry Horkan: The €13 billion may not be €13 billion.

Mr. Derek Moran: It may not be. It could be more or less. We must work through it.

Senator Gerry Horkan: Where is the Department in the process of working through it to know whether it is €25 billion or €2 billion?

Mr. Derek Moran: We have only agreed two to three years. I could not put a quantum on it. The money will then be transferred and we will hold it in escrow with a company. There has not been a state aid determination like this in the past and to say it is-----

Senator Gerry Horkan: Am I right in saying this goes back 20 years or more?

Mr. Derek Moran: It is a ten-year look back.

Senator Gerry Horkan: Ten years. There were references to 1990 at one stage.

Mr. Derek Moran: Decisions were made in those years, or opinions rather, offered by 1990 and 2007 would have been-----

Senator Gerry Horkan: It is a ten-year look back with regard to collection.

Mr. Derek Moran: Yes.

Senator Gerry Horkan: The Department tells us it has about 300 staff and would prefer that figure to be close to 330. Clearly there are other large bodies under the remit of the Department such as the Revenue Commissioners, the Central Bank, the Irish Bank Resolution Corporation, NTMA and NAMA. What is the Department's involvement with these bodies day to day? They are under the Department's remit but are somewhat independent or to a greater extent are quite independent. Perhaps Mr. Moran will outline to the committee how the Department-----

Mr. Derek Moran: Or they are very independent. They could be statutorily independent such as the Central Bank, the Revenue Commissioners and the NTMA. They are independent. In the document we have gone through the process to ask how does one define what is a body under the aegis. We had a set of tests and if the body met any one of the tests then we had to do something about it. It is partly about having bespoke, appropriate interactions to make sure that what is being done is what should be done without interfering with the independence of those entities. For example, as was described earlier, at my level we meet the NTMA and the bank each month and keep an eye on that. I am on the boards of both of them.

Senator Gerry Horkan: Is it the same in the case of NAMA?

Mr. Derek Moran: NAMA falls under the NTMA family but there is close liaison between the units that deal with NAMA. From my point of view, the unit that deals with NAMA would liaise with NAMA. Similarly the Revenue Commissioners are independent and we should not be accessing individual tax information. The second Secretary General and I and the head of taxes unit sit down with the three commissioners. We meet with them once per quarter or thereabouts and run through the agenda of issues we want some assurance on and the things they want to raise with us. At the end of the day, if issues arise for them that require policy adjustment there has to be a feedback loop for that also. We have tried to feed that down through the organisation by reference to scale. From a governance point of view it is really important that we do this. To make sure the arrangements we have are embedded properly, we have asked the internal audit unit to audit how this is being implemented across the Department as part of the work flow for this. It is important stuff that can get overlooked. I believe we had more than 20 organisations but the recent consolidation of the NTMA family meant it reduced to 18. They were all individual companies and that simplified it a bit, but with a core staff of 300, 18 organisations is a lot to monitor. We are using all the leverage that we can.

Mr. Derek Tierney: I believe that is fair. Two years ago we set about understanding what were the criteria that defined each of the 18 bodies and we are starting to put in bespoke arrangements to monitor and provide an element of oversight - which is probably a strong word - but an overview of how each body is performing within the various sections and around the business so there is a strong link between the policy section and the body in question.

Senator Gerry Horkan: Regarding what NAMA does and how it does it, if the Department is not happy with what NAMA is doing or how it is being done, can the Department change what NAMA is doing or is NAMA independent of the Department? Can NAMA do whatever it wants irrespective of the Department's opinion?

Mr. Derek Moran: NAMA is independent of the Department. As for whether it can do what it likes, NAMA is constrained by the governing legislation. The whole purpose of monitoring bodies under the aegis is to ensure they are doing what they are supposed to do and to get a level of assurance as distinct from running them.

Senator Gerry Horkan: Is the Department happy with how NAMA is performing?

Mr. Derek Moran: NAMA has a complicated existence.

Senator Gerry Horkan: That does not exactly say you are happy.

Mr. Derek Moran: We have very good working relations and very regular contact. It is doing the job it was given and doing it successfully within the parameters of what it was given. There were issues before other committees and, potentially before an inquiry, that must be dealt with in those contexts. Yes; we have the way to keep an eye on that and we retain a very good relationship with same.

Senator Gerry Horkan: I am looking at the commitments related to the Department of Finance in A Programme for a Partnership Government. Presumably it is the witnesses' role to implement these Government commitments that were developed last year.

Mr. Derek Moran: Our role is twofold; to advise and to implement. Sometimes we may have a programme for Government commitment that we look at and believe there is a better way to do it. That is where our advisory role comes in but at the end of the day it is our job to implement a Government decision.

Senator Gerry Horkan: I am looking at some of these targets, such as year one action and 100 days and so on. In the context of year one, has the Department - Mr. Moran and his team - been asking whether these have been achieved or how far they are getting? For example, the programme states:

> It is not ethically acceptable for Irish banks to charge excessive interest rates on standard variable rate customers. We will take all necessary action to tackle high variable interest rates; including through establishing a new code of conduct for switching mortgage provider, administered by the Central Bank and the development of a new, easy-to-use standardised and dedicated switching form. We will also request the Competition and Consumer Protection Commission to work with the Central Bank to set out the options for the Government in terms of market structure.

I am not sure I have seen too many of the commitments implemented yet. I admit that we are not at the end of year one but I wonder where the Department is on some of these commitments.

Mr. Derek Moran: We report on all of these metrics to the programme for Government office within the Department of the Taoiseach. Some of this - as the Senator referred to - may have been published rather than implemented, but they are within that process. We have a reporting obligation across all of these centrally. Something does not go away; it may not be done in three months but it may be done in five months and so on. We are under that constant

scrutiny and requirement to report centrally.

Senator Gerry Horkan: How frequent is that scrutiny?

Mr. Derek Moran: It is quarterly reporting.

Senator Gerry Horkan: The Department takes these commitments and reports back quarterly. At this stage, have two quarterly reports been done?

Mr. Derek Moran: Yes.

Senator Gerry Horkan: I presume they are not publicly available?

Mr. Derek Tierney: The Department of the Taoiseach has published a summary report of commitments right across the programme for Government.

Senator Gerry Horkan: Can we see the answers or the responses to how all of these have been implemented?

Mr. Derek Tierney: Yes.

Senator Gerry Horkan: I think that is it for now Chairman.

Senator Paddy Burke: I welcome the Secretary General and his staff. I have a few brief questions and will continue on from Senator Horkan's points on NAMA. Mr. Moran stated that NAMA could nearly do what it likes. There are quite a number of cases where litigation is taking place. Is it true that the Department of Finance is included in the litigation?

Mr. Derek Moran: I did not say that NAMA could do what it likes; I said it can operate within the law.

Senator Paddy Burke: Of course, yes.

Mr. Derek Moran: NAMA is, however, independent within that. Therefore we have no power of direction or-----

Senator Paddy Burke: But is the Department included in any litigation?

Mr. Derek Moran: It depends on the context but yes, NAMA, the Minister for Finance or the State if there was potentially any litigation-----

Senator Paddy Burke: I presume there are a number of high-profile cases.

Mr. Derek Moran: Yes, we have a fair amount of what we call legacy litigation in which the Department is involved.

Senator Paddy Burke: Consequently, the Department has a role to play with NAMA. The Minister for Finance has full say over NAMA. That was in the NAMA Act that was brought forward.

Mr. Derek Moran: The Minister for Finance brought forward the Act and it went through these Houses. The Minister does not have a role of direction over NAMA and it is prohibited by law to lobby NAMA in any way. It is very independent in the execution of its functions.

Senator Paddy Burke: As for the Department, the old management advisory committee

seems to have been abolished and a new executive board has been set up. Is that the same people but with a different name?

Mr. Derek Moran: Is a bit more than that. With the management advisory committee, one issue within the Ministers and Secretaries Act 1924 and the legislation generally is that management essentially is the Secretary General and the committee was advisory to that. One cannot have collective responsibility. Ultimately the person responsible for the accounts and the disbursement of moneys is myself but with the executive board, we have tried to give people responsibility for both their slice of policy and for corporate responsibility for the success of the Department as a whole. That is a fairly substantial change on what went heretofore. For example, my colleague, Mr. John McCarthy, is the chief economist but he also sits on the audit committee and is the chairman of the oversight committee on freedom of information. My colleague, Mr. John Hogan, in addition to being in the banking division also deals with all the financial aspects of the Department. What we have tried to do is make it much more of a collective entity, albeit that it cannot legally be a collective entity. It is a fairly substantial shift in the way management committees operate.

Senator Paddy Burke: Does management, the executive committee, make the decisions?

Mr. Derek Moran: There is a piece in there in terms of the running of the Department to the effect that decisions are made on a consensus basis by the executive board, but where there is a disagreement the Secretary General makes the call, having consulted them.

Senator Paddy Burke: That is to be welcomed. Are there many members on the executive committee?

Mr. Derek Moran: There are nine members. I am a member, as is Ms Nolan, the second Secretary General, and the assistant secretaries. Mr. Derek Tierney is the secretary to the board and the HR manager sits in because it is a cross-departmental issue. It is nine plus two.

Senator Paddy Burke: Do other bodies such as the Revenue Commissioners or NAMA have any involvement on the executive committee?

Mr. Derek Moran: No, this is the executive management of the Department of Finance. I spoke about our way of interacting with the bodies under the aegis of the Department. They are the formal interactions. We have more constant dealings with them day to day but we need to put a bit of structure around it as well.

Senator Paddy Burke: Credit unions have a substantial amount of money to invest. I believe it is up to €10 billion. They say they could offer it to various Departments to invest at a low interest rate but there is no uptake on the offer from the Department of Finance or any other Department.

Mr. Derek Moran: We have had ongoing interaction and very good discussions on the various proposals from the credit union movement. We have worked closely with it to find workable solutions. It is probably unfair to say there is a lack of interest. It is a case of finding something that works. We are always open. The credit union unit within the Department will have had those engagements but it is unfair to say the Department of Finance is in some sense an impediment to what credit unions want to do.

Senator Paddy Burke: There is a substantial infrastructural deficit in the country. The credit union movement has said there has been no uptake on its offer from any Department. It

still has €10 billion to invest at a low interest rate. The money obviously comes from deposits the credit unions have taken in. That is the reality.

Mr. Derek Moran: I will ask Mr. Hogan to say a few words on the issue. Some of the concerns are about guarantees.

Mr. John Hogan: As the Senator is probably aware, the credit union movement has been looking for opportunities in which it can make investments. I understand it has been talking to the Department of Housing, Planning, Community and Local Government to see if there is some role it can play in providing funding for social housing. In recent times it also spoke to the Strategic Banking Corporation of Ireland, SBCI, about what sort of possibilities it could provide to work with the credit union movement, but it comes back to what Mr. Moran said about finding the appropriate model that can work alongside it. The credit unions are investing and they want a particular rate of return and there are a number of other competing providers of finance that are involved in providing funding to those types of sectors. In the social housing area the European Investment Bank, EIB, for example, has been quite active at providing low cost funding through the Housing Finance Agency. The EIB and KfW have been involved at early stages with the SBCI in providing funding. The work is ongoing but it is very much around trying to find the correct model that matches the risk and rewards that can come to a productive outcome.

Senator Paddy Burke: I believe there was a High Court case on the second home tax that was introduced a number of years ago on the basis that it was not tax deductible. The person who took the case won it. Has the Department taken that into consideration in terms of how it might affect the tax on second homes or investment properties?

Mr. Derek Moran: I am not aware of the case raised by the Senator. One must go back to when the second home tax was introduced and where we were and whether raising money from second homes and then making it deductible was a sensible fiscal measure at that time. The principles of taxation generally are that if one has an investment, the taxable income is the income after the expenses, which include the interest on the mortgage and so on. What we have seen is the beginning of the reintroduction of 100% interest relief on investment properties in the income tax system, for example. It is a roadmap out to 100% but it was down to 75%. I am interested in the case but I am not familiar with that one.

Senator Paddy Burke: On the issue of the 100% relief, did Mr. Moran say the 75% will be rolled out?

Mr. Derek Moran: It went up to 80% in the recent budget and there is a roadmap to bring it to 100% over a period of time.

Senator Paddy Burke: I thank Mr. Moran.

Chairman: A number of issues were raised about Departments and how they engage with the public in terms of the collection of taxes. Mr. Moran refers in various publications to the need to be transparent and to encourage the public to have a better understanding of how Departments work. I received an e-mail from a business person I know in which an issue was raised. I was told that since raising the issue relative to the proper management by a Department in the location in which the man is based, it has put the knife in at every opportunity. He said the Department takes a personal interest in the company because of the matters it raised. He said the Department ignores e-mails from him to the relevant section. An individual on the

site said she was terrorised by being told she would be prosecuted if she did not take appropriate action. It was also said the Department was vindictive at a cost to the taxpayer. That is the reality of how somebody thinks of the Department and its administration in terms of governance.

Separate to that, I wish to refer Mr. Moran to a court case, which I accept is from some years ago. A citizen was taken to court by a Department and eventually the judge stood down the jury and declared that the Department did not put forward a credible case. The judge had some extremely harsh words for the Department concerned. Taxpayers' money was used to beat down an individual. In spite of winning the case and walking away with his integrity intact, the individual still has not been paid for the loss he had in terms of his business, in which the Department had a hand. I have come across such cases over the years, and I am not the only one to whom people write, and those cases still remain unresolved.

What concerns me is the use of taxpayers' money in the beating up, so to speak, of the citizen and then the stonewalling to see just how far the individual will go to have his or her rights vindicated. What does the Department of Finance say to Departments where something as obvious as that happens? Is the Department concerned that the collection of taxes and the use of taxpayers' money in this way by Departments is ongoing? Does the Department have a role given that it collects the taxes in the first instance?

Mr. Derek Moran: Not directly. We sat down in the second half of 2014 and into 2015 and looked at our governance framework because, as an organisation, the Department was subject to a lot of turmoil and change over a period. We wanted to bed down a view of our culture and how we should behave. It was an interesting discussion. The sort of behaviours that the Chairman described are not acceptable. I do not know the cases and, even though they are historically helpful within the Department of Finance, those examples are just not acceptable. We work for the taxpayer. Sometimes there will be litigation against a taxpayer for whatever reasons, but it should always be in the most courteous and understanding way possible.

Chairman: Would the Department take up with another Department how it spent money? Where the cases-----

Mr. Derek Moran: We felt that the work we had done internally was important and offered it as a template for the development of those sort of governance principles across the Civil Service. It is fair to say that much of it featured in the template, including things that Departments probably have not been good about in the past such as looking at the standards of behaviour, how to deal with people and so on. Through the Civil Service management board and that process, we brought that to the table. Surprisingly, we receive a fair number of calls from the public about issues. Take the budget. A lot of calls will be received by the Minister's office or the taxation unit in respect of the changes being introduced. Our job is to explain to people, in a civil and polite way, what has happened. I will not embarrass colleagues by asking them about the discussion, but that half page on what are our behaviour, values and cultures was the result of a really in-depth conversation. I also think that we have influenced the governance standards for the rest of the Civil Service by making the template available. In terms of telling other Departments what to do or intervening, I do not have a role in that regard.

Chairman: Could the Department not establish a role? Revenue, under the Department of Finance, is the collector of taxes. Could the Department not have a role where it sees taxes being inappropriately spent by, for instance, chasing and beating down a citizen, with a judge having to side with the citizen. Not only did the judge say that the Department was wrong, the judge said that the integrity of the prosecution was under question. That case still remains

unresolved. Should there not be some sort of section within the Department that could examine the case? It is not just that case; there are others. When we speak to the Department, it will say that the Director of Public Prosecutions or someone else decided to take the case. We do not get an answer and, therefore, we cannot address the rights of the citizen. Someone has to take this on. As someone who pays his taxes, I have questions, as I am sure would anyone who pays taxes in the country, about how those taxes are spent. Where issues such as this arise, there is an obligation on Government to protect the people it represents. Protecting them against the State is something we need to take far more seriously.

Mr. Derek Moran: I do not disagree. I think there is an opportunity through a structure such as the Civil Service management board, which has all the Secretaries General operating collectively on what the Civil Service - as a single entity - should be in terms of service delivery and its interaction with the citizen-----

Chairman: Who does Mr. Moran engage with at that level?

Mr. Derek Moran: All the Secretaries General. It is jointly chaired by the Secretaries General of the Departments of the Taoiseach and Public Expenditure and Reform. It is an interesting issue and that is probably the best forum to deal with it.

Chairman: If my business had customers that were writing such descriptions of it-----

Mr. Derek Moran: You would be very unhappy.

Chairman: Yes. Now that we have expressed unhappiness, can we address the matter? It is not fair that the State should use its muscle and taxpayers' money to come after a citizen in such a manner. A judge has ruled not just in that case but in other cases, yet there is no redress for the citizen and the money that is due to the citizen from the State has not been paid. As Chairman of this committee, I want to know how we can address the situation. As I said, the Department collects the taxes. It deeply upsets me to see those people in distress and to see such letters written. Many other letters are written for other reasons. However, given what was described, there is an onus on us to address it. How can the committee or Mr. Moran, as a member of the group of Secretaries General, address it?

Mr. Derek Moran: Each Secretary General is responsible for his or her slice in law for each Department. The Chairman is speaking about the behaviour across the board. It is certainly something that could be taken back to that sort of forum and acted on. As the Accounting Officer of the Department of Finance, I would not be happy if that e-mail was about the Department.

Chairman: I want Mr. Moran to be unhappy that taxpayers' money is being spent in that way. If I was collecting the money and I saw someone else spending it as recklessly as that, I would challenge them. That is how a business is run. One does not just walk away; otherwise one goes bust. I would love to see those who collect the money reprimanding those that are spending it recklessly. In this and other cases I have mentioned, that aspect was publicly spoken about by a judge. I would like to see the rights of the individual being addressed. Mr. Moran is saying that it is the Department of the Taoiseach that chairs-----

Mr. Derek Moran: The chair is the Secretary General of the Department of the Taoiseach.

Chairman: Will Mr. Moran consider some of what I have said?

Mr. Derek Moran: I will. It is a very interesting point. We have tried to get Departments,

when looking at themselves, to consider their values, cultures and behaviours.

Chairman: I have another example. Before Christmas, a draft statutory instrument on the Horse and Greyhound Racing Fund and the allocation of the money came before the Dáil. Reports continue to come in about that fund and how it spends taxpayers' money. Such reports have been coming in for years. Earlier, Mr. Moran referred to governance. Where is the governance in the context of that fund? Who polices the provision of proper governance in the context of the taxpayers' money that is being spent? This issue is ongoing. There are vast amounts of money involved. I am asking that the Department of Finance would examine how the money is spent in terms of governance.

Mr. Derek Moran: The critical aspect is that each Department now has to have its own governance framework. It has to look at how it manages the bodies under its aegis. I do not know anything about the Horse and Greyhound Fund. If there are issues there, they will have to be addressed within that context. In terms of the bodies under our aegis, while respecting their independence if they have legal independence, we are trying to ensure to the extent that we can that they are being operated appropriately and that we can have assurance that these sorts of principles are being met.

Chairman: It is my intention to propose a strategy to committee members to question or investigate such issues as have been raised. I am flagging this for the witnesses because I am not going to stand by and be unhappy about a situation. The State must do something.

Regarding the Central Bank and vulture funds, the witnesses are aware that we wrote to the vulture funds. Two responded - Blackstone and Cerberus - to say that they would not attend. Most of these funds are playing a significant role in the economy and their tactics in buying and recouping debt leaves much to be desired. They are unregulated, they will not appear before us and they affect the lives of people in their businesses and homes. According to the banks that appeared before us, we will probably see a large number of houses being repossessed in 2017. Those loans that have been sold on and are now within the grasp of vulture funds have no chance. I want to address the issue of the vulture funds, how they are regulated and the role of the Central Bank.

When the Central Bank appeared before us, its role in and attitude towards consumer protection were shocking. One hundred people lost their homes because of the tracker mortgage issue. It is being dealt with now, but where was the Central Bank beforehand? What happened down through the years? Where was the Department of Finance in terms of ensuring that the Central Bank did what it was supposed to do, namely, protect the consumer and deal with the banks?

Mr. Derek Moran: In terms of chasing down the misbehaviour, if we wish to call it that, of banks on trackers, the Central Bank is all over it. A major effort is being made to ensure that mortgages are corrected, people are treated properly and, where appropriate, compensation is paid.

Chairman: The Central Bank was dragged kicking and screaming to be "all over it".

Mr. Derek Moran: I-----

Chairman: I am wondering about the Department's engagement with the Central Bank. In response to a number of questions that have been asked, it was stated by Mr. Horan, I believe-----

Mr. John Hogan: Hogan.

Chairman: It was stated by Mr. Hogan that the Central Bank would tell the Department from time to time. Is there proactive engagement with the Central Bank to establish for the Department's own interest whether the Central Bank is on top of its game, protecting consumers and dealing with the banks? Is it a two-way street or does the Department just ask for information as it wants it?

Mr. John Hogan: No, it is not the case that we only ask for information as we want it. There is constant interaction between the teams within the Central Bank and my division that deals with the consumer protection mandate. We and the Central Bank worked together on the credit servicing legislation and changes were introduced on foot of its suggestions. As the authorisation process in that regard becomes embedded and more information begins to emerge, our teams work constantly with the Central Bank's teams to understand the approaches that it is taking and monitor activity by servicing firms. It is not the case that the Department sits idly by, but there is a need to respect the independence of the Central Bank, which is core to its mandate and the legislation underpinning it.

Chairman: Yes, and I respect that, but perhaps that is what got us into trouble back in 2008. What is the nature of the Department's proactive engagement with the Central Bank? Are vulture funds and how they purchase individual debt from the main banks discussed? Will there be protection for the consumer in 2017 to stop the evictions? NAMA was established to handle commercial debt. While it is a policy matter, is there now a need for a NAMA for residential and small business debt so that people can be given an opportunity to work out their indebtedness and stop evictions?

Mr. John Hogan: On mortgage arrears, a great deal of work has been done across the Government and by the Central Bank to ensure that the banks put in place in the first instance appropriate procedures to deal with the type of trend that emerged through 2007 to 2009. The number of people in mortgage arrears has declined steadily. According to the latest Central Bank report, that decline is now in its twelfth or thirteenth consecutive quarter. Within that number, there have been 121,000 restructures, that is, people who have had their mortgages restructured by engaging with their financial institutions. Of those people, 90% are sticking with their restructures.

Breaking down the numbers, the 0% to 90% category has eased considerably from what we saw at the height of the crisis, there is a group in the middle and then there is the longer term category, namely, those who are in two-year plus arrangements. By virtue of interaction or whatever, many of these people are beginning to find themselves in the court system.

The Government has substantially reformed the personal insolvency legislation to give people access, either by formal or informal procedures, to debt resolution mechanisms. The personal insolvency rules have been augmented and changed with the passage of time and experience gained.

Chairman: I understand that, but it still remains a fact that, according to the Bank of Ireland when it appeared before us, there are not sufficient repossessions to convince the market that debts or loans are safe and protected and the expectation is that there will be an increased number of evictions this year. Those people end up on council housing lists, so the whole thing goes around in a circle. Is there a section in the Department that is examining the possibility of a new agency or new legislation or of allowing the Housing Finance Agency and the voluntary

housing sector to take over some of this debt? We own the banks. Can we influence how they deal with the substantial debt that exists at that level and keep people in their homes?

Mr. John Hogan: There is a constant evolution in and adjustment of the policy dealing with mortgage arrears. The mortgage-to-rent scheme has not worked as effectively as people expected. It provides a solution whereby people can move-----

Chairman: It is not working.

Mr. John Hogan: I will get to that in a second. It provides a solution whereby people in private housing hand over control of their homes to the local authority and move into the social housing structure. The problem is that the nature of its implementation has been complicated. The Department of Housing, Planning, Community and Local Government and the Housing Agency, which has administrative responsibility for the scheme, are examining how it can be streamlined. The Chairman is right in that there is an issue. There is a great deal of pressure on social housing and there are initiatives to extend and enhance the number of homes being built in that regard, but no more than the general housing supply issue, that takes time to feed through.

Chairman: There have been just 39 applications to move to rent-----

Mr. John Hogan: The mortgage-to-rent scheme.

Chairman: -----at one bank. I know from local authorities, and I have heard Oireachtas Members discussing it, that the scheme is not working. Were it enhanced in some way, it could give solutions.

Mr. John Hogan: That is what is being explored at the moment, in fairness.

Chairman: Okay. On the matter of tariffs, could we have a copy of the information before the witnesses go?

Mr. John McCarthy: Yes. It is public information.

Chairman: It is easier to ask for a copy than it is for me to go off and look it up.

Regarding HSBC, I want to return to an earlier point. We are hingeing everything on the financial services and the creation of approximately 20,000 jobs. Has Mr. Moran explored or has anybody examined why HSBC created 1,000 jobs in Paris and Frankfurt? What happened that we were not able to attract those jobs to Ireland as it was said that would happen?

Mr. Derek Moran: I do not have an answer to that.

Chairman: Does it concern Mr. Moran that this happened?

Mr. Derek Moran: Companies will make decisions based on their needs and plans. Our colleagues in the IDA talk to companies all the time. Some of the financial services jobs will undoubtedly come to Dublin and some of them will go to other locations. We have to ask ourselves what is the biggest risk. I believe the biggest risk is that we will not have a substantial global financial services centre in UK after all this is over. In terms of HSBC making those choices, I have no doubt it made commercial choices on the basis of its own needs and perspectives. I have no insight into why it did not choose Dublin over the locations it chose.

Chairman: Does Mr. Moran know if examinations are taking place in other Departments

as to why that is happening or has he examined our financial services model? Can we enhance it? Can we make it more attractive to bring in those companies?

Mr. Derek Moran: That is what we do all the time as part of the financial services strategy, namely, to try to make the offering of our-----

Chairman: Why did we miss out on the number of jobs that were created in those two locations?

Mr. Derek Moran: There is the matter of how much information companies will share with us about their decision-making parameters. We go through an iterative process all the time of trying to make sure that our offering around financial services, whether it be in tax or whatever else, is iterated, changed and kept up to date all the time. Elements of that information will feed back to us on what we need to do to tweak matters to attract a piece of business. I do not know what commercial decisions that company made to locate in those places.

Mr. John Hogan: There is a question of timing. The intention of the company had to have been planned for some time because putting 1,000 people on the ground in a particular location does not happen overnight.

Chairman: No, but it goes back to our tax offering and how we attract companies to locate in Ireland. It is fine to say that we will get 20,000 jobs in the financial services sector, yet the first number of jobs to be relocated went elsewhere. We need to have a far greater understanding of companies' needs and demands, the skill sets required and if we are doing enough in that area to attract jobs. That is a matter for Mr. Moran's Department to examine.

Mr. Derek Moran: If the relocation of those jobs was to Paris or Frankfurt, I am not sure where the Chairman mentioned-----

Chairman: Both.

Mr. Derek Moran: Both. Tax was unlikely to have been a consideration because we have a much more competitive offering on tax. It may well have to do with the type of business or the skills, or in the case of Frankfurt it may have wanted to be close to the regulator. I do not have any insight into the commercial decisions made.

Chairman: I have two final questions. Mr. Moran spoke about upskilling people and their different qualifications, the courses that are offer and the difficulty in a growing economy, regardless of how slow the growth is, in that there is competition for those who are skilled. What are the salary brackets in the Department? How many people are on a top level of salary and so on down the grades? Will Mr. Moran give us those figures?

Mr. Derek Moran: I can get those statistics for the Chairman. I do not have them with me. Under the public service reform programme, we have opened recruitment at every level and at all grades from clerical officer up to Secretary General. The Civil Service is competitive. We found that we needed to take on people during the crisis when the labour market was soft and we were able to recruit very good quality people, but three, four and five years on from that, as opportunities have opened up for people in terms of their career development, we are starting to lose those people. We have a different set of circumstances.

I know from talking to colleagues in the system that their turnover rates are tiny and people leave due to retirements, the ending of career breaks and so on. Our strategy is that we recruit

people with the skills but we also develop skills in-house. We have had many discussions during the past eight to ten years on specialisation. My view is that in the Department people will probably specialise three or four times during the course of their career. We must have the wherewithal to develop the economic expertise. In terms of career development, we offer a diploma in financial services, which will start next month, in order that people can get the necessary skills and they can also do the banking courses. It is a question of both buying and making, if that makes sense.

Chairman: Will Mr. Moran provide a list of the salaries structure?

Mr. Derek Moran: Yes. I can provide a list of the numbers and the salary structure.

Chairman: Did Mr. Moran read the two insurance reports? He was involved in one of them.

Mr. Derek Moran: Yes.

Chairman: Going back to the Central Bank, consumer protection and information, is there a strategy to deal with the various elements of both reports?

Mr. Derek Moran: It is an incredibly difficult subject. We have an implementation plan around quarterly targets and so on. We have set a responsibility for ourselves to report to Government on that over the next few months. There are the workings of a detailed set of plans.

Chairman: When Mr. Moran sets out his quarterly targets and measures them against the achievements, will he keep us in the loop on that information because it is our intention to meet on a quarterly basis on that issue, to examine both reports and to establish exactly where the implementation plan is as against the various other goals set out in both reports?

Mr. Derek Moran: We are required to send a quarterly memorandum to the Government on progress against the recommendations on the actions. I do not have any difficulty with colleagues sharing that.

Chairman: I thank Mr. Moran and the other witnesses for attending.

The joint committee adjourned at 1.38 p.m. until 1 p.m. on Tuesday, 24 January 2017.