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**Wednesday,
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DÍOSPÓIREACHTAÍ PARLAIMINTE
PARLIAMENTARY DEBATES

SEANAD ÉIREANN

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

Wednesday, 3 March 2004.

[illegible]

SEANAD ÉIREANN

*Dé Céadaoin, 3 Márta 2004.
Wednesday, 3 March 2004.*

Chuaigh an Cathaoirleach i gceannas ar 10.30 a.m.

*Paidir.
Prayer.*

Business of Seanad.

An Cathaoirleach: I have received notice from Senator Bannon that, on the motion for the Adjournment of the House today, he proposes to raise the following matter:

The need for the Minister for Transport to make a statement on the north Longford initiative and future funding of this rural transport service which provides transport for elderly and vulnerable people who otherwise would be isolated and excluded from social contact.

I have also received notice from Senator Ulick Burke of the following matter:

The need for the Minister for Finance to indicate why the south Galway drainage project has been discontinued, the amount already committed to the project and how it is proposed to apply the remainder of the €3.5 million originally allocated.

I regard the matters raised by the Senators as suitable for discussion on the Adjournment and they will be taken at the conclusion of business.

Order of Business.

Ms O'Rourke: The Order of Business is No. 1, address by Mr. John Hume, MEP, to follow the Order of Business and to conclude not later than 12.30 p.m.; No. 2, Motor Vehicles (Duties and Licences) Bill 2004 — Second Stage, to be taken at 1.30 p.m. and to conclude not later than 3.30 p.m., with the contributions of spokespersons not to exceed 15 minutes, those of all other speakers not to exceed ten minutes, Members may share time and the Minister to be called upon to reply not later than five minutes before the conclusion of Second Stage; No. 3, Aer Lingus Bill 2003 — Second Stage, to be taken at 3.30 p.m. until 5 p.m., to resume at the conclusion of Private Members' business and to conclude not later than 8.30 p.m., with the contributions of spokespersons not to exceed 15 minutes, those of all other speakers not to exceed ten minutes, Members

may share time and the Minister to be called upon to reply not later than ten minutes before the conclusion of Second Stage; and No. 18, motion No. 22, to be taken from 5 p.m. to 7 p.m. There will be a sos from 12.30 p.m. to 1.30 p.m.

Mr. B. Hayes: Fine Gael agrees to the Order of Business. Is the Leader in a position to tell the House when the Government intends to bring legislation on electronic voting before it? The latest phase of the e-voting saga took place yesterday when the Government decided to appoint an independent commission to investigate the matter and report to the Houses by 1 May. While every member of the commission is a person of the highest possible standing, the failure to involve and consult the Opposition on the appointments is another example of the Government's poor treatment of it and both Houses of the Oireachtas.

The Government is putting the Clerks of both Houses in an invidious position by placing them on the commission. They are being asked to adjudicate on what has become a political matter and one which should have been determined in this and the other House. It is unwarranted and unfair of the Government to place in that position individuals of the highest possible public repute. I wish to hear a statement from the Government on this matter and to know when legislation will come forward. As we approach the June elections, a cloud continues to obscure our knowledge of which system of voting will be in place. We require clarity on the matter.

As the Leader knows, I wrote to her last week asking for time to bring the Commissions of Investigation Bill 2003 to the House. I note that the Bill will come before the Dáil this week, which is welcome. Is it still the Government's position that the first matter to be examined by the commission after the enactment of the Bill will be the issue of clerical sex abuse in the Dublin archdiocese? A commitment to that effect was given to the victims of clerical sex abuse in the archdiocese 18 months ago. The One in Four organisation and many victims of clerical abuse in this archdiocese want to be informed of a definitive Government position in this regard.

Mr. O'Toole: I support the point Senator Brian Hayes made on the commission on electronic voting. This is a very divisive political issue on which parties have taken positions. It is wrong to place people of unimpeachable integrity, such as the Clerks of both Houses, in the position of having to mediate, adjudicate and pronounce on a highly charged political issue. It was not contemplated when their roles were defined and it is not analogous to the positions they have on the boundaries commission where the issue is clear-cut. As the Government, Opposition parties and various individuals have adopted positions on electronic voting, it is unfair to place the Clerks in this very difficult position. I do not know what level of consultation took place, but that is my

[Mr. O'Toole.] independent view of the matter. The appointments will make life very difficult for them.

I remind the House that the Leader gave a commitment to Senator Ross and I several weeks ago that there would be an announcement within the week from the Minister for Justice, Equality and Law Reform on the establishment of the commission on the auctioneering industry and its regulation. That has not happened. I hear regularly from people about their negative experiences of this industry. There are many on the other side of the House who feel as strongly about this as people on this side. The House is being disregarded and treated with contempt and I would like to know why. Is it because the Department of Justice, Equality and Law Reform does not have any regard for this House? I am aware the Minister has a clear view on it and I ask him to make an announcement immediately.

Mr. Ryan: I do not wish to repeat what my two colleagues said, except to make one further point. One of the reasons there is such controversy is precisely the point some people use for arguing in favour of electronic voting. We have an incredible level of computer software expertise in this country. It is from some of that computer software expertise that most of the questions arise and most of the questions are unanswered. There is an individual in Ireland — I will not mention his name or where he is — who is regarded as the world authority on software verification. He is the best in the world.

Mr. Norris: Mention me. I do not mind.

Mr. Ryan: Senator Norris can verify many things, but software is not one with which I was familiar.

An Cathaoirleach: Senator Ryan without interruption.

Mr. Ryan: We could resolve this issue. I have spent a good deal time saying I did not think there was a sinister motivation behind this move. However, the more this obdurate determination to ignore everybody else goes on, the more I am forced to change my mind because I cannot see any reason for the way things are being done other than the desire to cover something up.

The Government announced a substantial surplus of revenue of approximately €300 million over expenditure yesterday for the month of February. The Taoiseach would regard that as a small sum because that is what he said about the dormant accounts. However, his brother, the Minister of State at the Department of the Environment, Heritage and Local Government, would regard it as a very large sum, which is the reason he justified turning it into a slush fund. What does the Leader think? Is €400 million a big or a small sum? I would like to know.

Mr. Dardis: It is a middle sum.

An Cathaoirleach: Order, please.

Mr. Ryan: We had a little controversy here some weeks ago and I want to make something clear. If the Leader, as she does with considerable courtesy, advises me in advance that she intends to move an amendment to the Order of Business — I appreciate the courtesy — I still expect a motion to be put to the House to that effect when an amended Order of Business is introduced. If a motion is to be taken without debate, I expect us to get notice to that effect. On one of those issues all I wanted to know was why and we were told it was without debate. Please do not assume that, because we are reasonable on this side and appreciate the courtesy of the Leader, we agree with matters in advance before we see precisely what we are asked to agree to.

Dr. Mansergh: The comments of Senators Brian Hayes, O'Toole and Ryan about electronic voting show why the issue should never have been politicised. The introduction of electronic voting confers no advantage on any party in this House——

Mr. O'Toole: The Malaysian crusader.

A Senator: The director of elections for Fianna Fáil.

Dr. Mansergh: ——a Government party or the Opposition. It is absolutely politically neutral. I am certain that when the Bill is published, it will contain severe penalties for anyone who would tamper with or manipulate it in any manner whatsoever.

I am glad the Exchequer returns show a healthy picture because that means in the medium and long term there will more money to support all the community projects.

Mr. Finucane: We are all aware this is a leap year and Sunday was 29 February. One can imagine the surprise of many people with mortgages when they received a notification from at least one bank, which had the courtesy to notify them, that as mortgage interest is charged on a daily basis they were being charged for 29 February. All the other banks and mortgage societies did exactly the same. Every year we read of the massive profits banks make. From the point of view of public relations and given that it happens only once every four years, it is surprising they could not make one small gesture to their mortgage account holders. It is disgraceful. I appreciate it is a small amount for the people involved but from the point of view of the banks, it mirrors the lack of respect which many people have for financial institutions.

Senators: Hear, hear.

Mr. Mooney: I return to the question of Iraq which has been raised on a number of occasions and perhaps the Leader will give due consideration to providing time for a debate. The reason I raise this matter is that the Minister for Foreign Affairs, Deputy Cowen, who is President of the Council, was in New York last week. In the past few days we have seen more horrific images from Baghdad and other cities where over 100 pilgrims were massacred as a result of internal strife. It is obvious the country is descending into civil war, yet political initiatives are under way in which the Minister is directly involved as a result of him holding the EU Presidency of the Council of Ministers. It would be relevant if the Minister would come to the House to outline the recent initiatives in the context of a political settlement in Iraq and to explain what attempts are being made to end the loss of what is almost certainly civilian life as distinct from military life in Iraq.

Mr. Norris: I support Senator Mooney without giving any further reason and I hope we will have a debate on this tragic situation. Will the Leader ask the Government to approach the British representative here to ask for an explanation of the fact that apparently Britain has provided money for war veterans of the Second World War to visit war graves in recognition of what they did but it appears to have specifically excluded the Irish? I know this is a bureaucratic technicality because it was generated by British lottery funds and it is supposed to spend those funds only on British citizens. It seems outrageous given some 50,000 people from southern Ireland volunteered — they did not have to fight. They deserve some degree of recognition. It would not kill the British Government to put in a few extra pounds to make it possible for Irish veterans, who so generously volunteered, to visit war graves.

Perhaps the Government could also be asked to raise the cases of those who were shot at dawn during the First World War, including a very famous Irish Private, Patrick Joseph Downey, who refused to replace on his head a cap that was wet and gangrenous. These people deserve to be pardoned. Let us ask the British Government to treat the Irish, who behaved so well in its army over the years, properly.

Can we return to the issue of traffic and its management? I heard today again on the radio that the speed limit on a section of the dual carriageway at Loughlinstown has been reduced from 70 mph to 40 mph. There may be some roadwork reason for this, but I do not know whether that is the case. It brings into contempt the whole question of observance of speed limits and it makes the imposition of fines and penalty points grossly unfair. I raised this matter in a debate with the Minister who said this was under the remit of local authorities. That should not be the case any longer. There should be a national authority and if the people are to regard these speed limits with any sense, they should be consistent and not chaotic.

Mr. Bannon: The Government, of which Senator Mansergh is a member, has of its own making created a great mistrust of the e-voting system.

An Cathaoirleach: Has the Senator got a question for the Leader?

Mr. Bannon: This mistrust extends to the Government. Will the Leader provide time for a debate on the deteriorating postal services throughout the land?

Senators: Hear, hear.

Mr. Bannon: It is outrageous that it takes almost a week for a letter from Dublin to reach County Longford. A similar position exists in the Cathaoirleach's own County Limerick and in other areas throughout the country. The postal service today is worse than at the beginning of the last century. It is an indictment of the Government that it allows this to continue.

Mr. Glynn: Will the Leader invite the Minister for Enterprise, Trade and Employment to the House to discuss the serious situation regarding car insurance? Many cars are bought from auctions and garages but while the onus is on owners to ensure such cars are insured, it is not happening. I have checked this. A frightening percentage of cars bought from auctions and garages are neither insured nor taxed. There is a serious legislative void in this regard. We should debate the issue with a view to bringing forward legislation as soon as possible to address it.

Mr. McCarthy: I concur with Senator Finucane on the issue of mortgage interest. If mortgage companies were to forego the charge to mortgage holders of interest for 29 February, it would cost them some €400,000, not a lot when one considers the profits they make.

On electronic voting, the report of the commission is due to be published on 1 May, which is very late. Will the Leader assure the House that if the commission recommends electronic voting should be abandoned, the Minister will act upon that recommendation?

The House should debate the issue of sentencing. Many people are serving only part of their sentences. While I will not mention any particular case, it is appalling that a person sentenced to a prison term of 208 years walks free after nine. This is a shocking indictment of the State. I call for a debate as soon as possible.

Ms Terry: While the Taoiseach and the Minister for Finance may be happy with yesterday's Exchequer figures, it is extremely bad housekeeping to have money in the bank while appalling conditions exist in the community. It would take €5 million to open the new section of James Connolly Memorial Hospital and a considerable sum to build the metro. It took me one hour and 50 minutes to travel ten miles this

[Ms Terry.]

morning. A member of the Leinster House staff travelling to work from Darndale told me the journey took her two hours this morning. A housewife would not leave money in her pocket if her children were in need of certain facilities or services. The Taoiseach is in a similar position to a housekeeper and is doing a very poor job. While so many facilities are in dire need of money, he keeps the money in his pocket.

Mr. Finucane: What about the surplus?

Mr. Ross: Due to the inclination of Members to raise issues on the Order of Business not strictly relevant to it, we often miss the Order of Business. I am concerned with the habit in the House of continuously passing, without debate and without noticing it, limits and restrictions on the debating of legislation. The important Aer Lingus Bill will go through the House in less than three hours today with spokespersons restricted to a maximum of 15 minutes, ten minutes for others and Members sharing time. We may be pushing legislation through the House too quickly. I see no reason there should always be restrictions on speaking time on Second Stage. We might, from time to time, have an open-ended debate without restriction.

Many Members referred to electronic voting. While I am opposed to its introduction, we must be careful in what we say about the commission. I have no problem with it. It is the Opposition which, by saying that commission members are of the highest integrity, puts itself in a difficult position. If Fianna Fáil had appointed, as is sometimes its wont and that of all parties, political hacks, there would be blue bloody murder. However, when it appoints people of absolute integrity, we criticise the Government and say the appointees are compromised. We cannot have it both ways.

My position is a fair one, namely that this commission is made up of those of the highest integrity. We should accept what they have to say, and a commitment in that regard should come from the Government because commission members are patently non-political.

Mr. Coghlan: On that issue, I generally agree with the comments of Senators Brian Hayes, Ryan and O'Toole. I accept, as we all do, that the members of the commission are eminent and uncompromised. However, in a democracy the voting system belongs to all. Surely, in this instance, it is only proper to proceed on an all-party basis.

Mr. B. Hayes: That is correct.

Mr. Coghlan: It is not to take from those appointed to the commission, who are accepted by all as being of the highest integrity, to acknowledge that this is a highly charged situation. The only way to steer ourselves out of

it is through the application of political will on a cross-party basis.

An Cathaoirleach: Senator Ross reminded me that we were discussing many issues which were not applicable to the Order of Business. We cannot have a debate on this issue.

Mr. Norris: Senator Ross for Cathaoirleach.

Mr. Coghlan: I accept that. However, this matter is pertinent and I look forward to hearing the views of the Leader.

Ms O'Meara: With regard to the changes in social welfare provision and entitlement announced yesterday by the Minister for Social and Family Affairs, Deputy Coughlan, will it be possible to debate what are severe restrictions in regard to the applicability and availability of such entitlements? I understand that the changes will be introduced by regulation. One ought to be reminded of the recent Supreme Court decision on regulations concerning immigration because the changes announced yesterday are very sweeping and broad ranging. It appears we will not have an opportunity to debate the issues in the context of legislation and I ask for an opportunity for such a debate by way of statements or otherwise.

Are these measures only to apply to people from applicant states? Some weeks ago, a debate in the House raised concerns about the position of Irish emigrants, in particular older emigrants living in England. Many emigrants expressed a wish to come home to live out their final days. Will they be hit by the changes?

Ms O'Rourke: No.

Ms O'Meara: Would they have to establish residency in order to be entitled to social welfare or will this only apply to those from accession states?

Ms O'Rourke: Senator Brian Hayes, the Leader of the Opposition, raised the matter of electronic voting. While he agreed the commission members were people of probity, he said they were being put in an invidious position. However, it is because they are well divorced from political affiliations that we should have trust and confidence in their capabilities. The Taoiseach said yesterday the relevant legislation will be brought in as soon as possible. I am sure the commission will do its duty in a fine manner.

I thank the Senator for his correspondence regarding the Commissions of Investigation Bill. I was about to reply to him when I heard the Bill was to be brought to the Dáil immediately. I will respond to the Senator on whether the issue of clerical sex abuse in the Dublin diocese is to be the first item dealt with under the new legislation.

Senator O'Toole regretted the make-up of the commission on electronic voting. In regard to the auctioneering review, I hope it will begin this

week. While I accept that we have had one bad experience in this regard, in general, the Department of Justice, Equality and Law Reform has great time for this House. The Minister spent over three hours in the House yesterday with a full complement of officials, and we had a very good debate.

Senator Ryan mentioned the queries raised by those involved at the top level of the computer industry and said the Government is obdurate. The situation is the opposite. The Government moved on this issue when the Opposition expressed concerns, so the Opposition can take the credit for that.

I was asked if I thought €100 million was a big or small sum. It is a fine amount — a thump of money.

Mr. B. Hayes: A tranche.

Ms O'Rourke: I would far prefer us to have money in our pockets and purses than not to have it. Senator Mansergh said electronic voting confers no advantage on anyone and that he is glad of the good financial returns. So am I, as I lived through many years when those returns were bad and one was scrounging for every penny one could get for one's Department. It is a good return. From a tax perspective I am sure some payments were made up front and others were not.

Senator Mooney mentioned Iraq and we badly need a debate on what is now happening in that country, which is far more terrifying than anything that ever happened there before.

Senator Norris spoke about the UK providing money for veterans and their relatives to visit war graves. The National Lottery Bill in Westminster only applies to those in the UK but
11 o'clock the British Embassy here is trying to change the law to secure the same subvention for Irish people travelling to war graves. I will take this up as I received correspondence on the issue yesterday. Senator Norris also mentioned the changes to the Loughlinstown dual carriageway. There is a specific traffic reason for that change.

Senator Bannon raised the deteriorating postal service in Longford. I regret that and we have been trying to get the Minister to come to the House for a debate on the postal service, but in answering other questions the Minister has pointed out that he is not responsible for the day to day operation of the postal service.

Senator Glynn mentioned car insurance and we will ask the Tánaiste to attend a debate on that matter. Senator McCarthy mentioned the financial institutions' actions on 29 February. It was very mealy-mouthed of those institutions to seize upon that day in order to say they compute interest on a daily basis. I thought women would have a great time on 29 February but obviously not. I refer to the tradition of women approaching men on that date, which is an old-fashioned notion. Cupid only strikes for women

every four years but we are not waiting around at all.

Mr. B. Hayes: As we know.

Ms O'Rourke: Senator McCarthy mentioned the committee which is dealing with electronic voting. If the committee recommends *festina lente* and tells us to hasten slowly then the Taoiseach has said quite clearly that is the route he will take. There is confidence in the committee, which is made up of independent-minded, clever and competent people. The Government will accept whatever they come up with.

Senator McCarthy mentioned sentencing and I accept what he said. It is not that we would impose a straitjacket on sentencing but sentencing should in some way be commensurate with the severity of the crime.

Senator Terry said the Taoiseach is a bad housekeeper because he has money in his pocket. I think he is a good housekeeper if he or the Minister for Finance have money in their pockets.

Ms Terry: Not when other people are waiting for money.

Ms O'Rourke: Senator Terry spoke about the €5 million needed to open a ward in Blanchardstown Hospital and she also mentioned the metro. It would be easy to say we will give €100 million to this and €100 million to that, but that is not how the overall financial situation is worked out. The taxation result is a good one and spending is up.

Senator Ross is worried that we are spending too much time on the Order of Business, except of course when he speaks.

Mr. Norris: Too infrequently.

Ms O'Rourke: He is always worth hearing.

Mr. Norris: Hear, hear.

Ms O'Rourke: He is also worried about the division of time for speakers on Bills and Bills being short-circuited. I have had many jobs in Government and this is one of the most complex jobs my office has to deal with. Saying "office" makes it sound grand but it is just me and one other person. We have to chase Ministers, private secretaries and Departments, to divide out time and to figure out how long a Bill will take. One day a Bill which should be debated for three hours will last half an hour, and the next day there will be eight extra people seeking to speak. One has to fit the pieces together like a jigsaw. I will bring Senator Ross over to the office for a week.

Mr. Dardis: There is a proposal.

Mr. Norris: It is a leap year, the Leader can do it.

Mr. B. Hayes: She could not afford him.

Ms O'Rourke: It would have to be free.

It is a very complex job, and every day we scratch our heads and wonder who will be loquacious and who will be silent. It comes down to that. We do not want Ministers here when a debate ends ahead of time. We are already being asked why we cannot debate the Public Health Tobacco (Amendment) Bill before Thursday, but the Minister is not available until that time. We are not punishing anyone. I welcome the Senator's views, as they are piquant as always.

Senator Coghlan wanted electronic voting dealt with on a cross-party basis, but those on the committee dealing with it have no party affiliations and it is a very good committee.

Mr. Coghlan: I accept that.

Ms O'Rourke: I am glad the Senator agrees.

Senator O'Meara wants the Minister for Social and Family Affairs to tell the Seanad about the changes she proposes, which would be a good idea. We will ask her to come to the Seanad. The UK is exempt completely from all such interchanges.

Order of Business agreed to.

Address by Mr. John Hume, MEP.

An Cathaoirleach: It is a great privilege on behalf of Seanad Éireann to welcome Mr. John Hume, MEP, to the House. He is a man in whose presence we take great joy and it is humbling to seek words to introduce a man who, among a lifetime of achievements and remarkable public service to the ideals of justice and democratic government, was co-recipient of the Nobel Prize for Peace in 1998.

The greatest gift we enjoy as humans is that of speech and throughout his distinguished life he has used his gift of speech to ceaselessly communicate a vision for a society whose political and religious wounds cried out for healing. Undaunted by setbacks, of which there were many, he strove continually and untiringly and with extraordinary patience and insight to speak truth and justice. In an imperfect world, he never lost faith in the integrity of his vision or his hope for a new dawn in Northern Ireland politics. We congratulate him on his steadfastness over the many decades of turmoil, the deepest pain and near despair. We have been inspired and uplifted by his example and gentle voice — always seeking to plant seeds of hope and reconciliation, most notably at those times when all seemed lost.

It was therefore with considerable sadness that we heard of his decision to retire from active politics. I take this opportunity to wish Mr. Hume a lengthy and fulfilling retirement. John Hume's life is a living testament to the noblest dimensions of the human heart in its search for peace and justice. Truly he honours us and this House by accepting our invitation to join us today. It gives

me great pleasure to formally invite Mr. John Hume, MEP, to address this House.

Mr. John Hume, MEP: Cathaoirleach, Leas-Chathaoirleach, Senators, distinguished guests, ladies and gentlemen, it is a great honour for me to be asked to address Seanad Éireann. I am truly very pleased to be here.

Members of this House, both party-aligned Members and Independent Members, have played a very important role in the development of the peace process in our island, particularly in our part of the island. In some small way, I hope my presence here this morning acts as an acknowledgement and appreciation of that on behalf of those people, particularly in the North, who have benefited from the peace we are building.

Similarly, we could not have made the progress we have achieved, which has been most evident in the past decade, without the co-operation and support of successive Irish Governments and political parties represented in the Oireachtas. To that extent, I would also like to pay tribute to the individual and collective efforts of Deputies to Dáil Éireann who, like Senators, have done so much to work towards a peaceful and truly democratic future for our entire country and between the two islands.

Unfortunately, we now have a totally unsatisfactory situation in which the institutions of the agreement are in suspension and there has been a failure to fully implement that agreement on the part of some parties and groups. It is clear we require, above all else, to overcome two crux problems, the first of which is to see an end to all paramilitary activity on this island, whether that is from loyalist sources or those who call themselves republicans. This must be accompanied by full decommissioning by all paramilitary organisations and groups and by a total normalisation of society in the North. Second, Unionists must agree to fully and faithfully implement all power-sharing and partnership required by the agreement, including the Northern Ireland Executive and the North-South Ministerial Council.

At this time, we should remember that there are democratic imperatives. The Good Friday Agreement was voted for by a huge majority of the people of Ireland. For the first time in history, the people of this island have actually spoken about how they wish to live together by coming out in strength, North and South, to vote for the Good Friday Agreement. Therefore, it is the duty of all true democrats to implement the will of the people by implementing in its entirety all aspects of that Agreement.

One of the great traditions of this House is its ability to cast a wide view over matters of public interest and see beyond the minutiae of day to day political concerns in matters of national, European and international interest. This confers significant benefit upon democracy on this island and on the greater good. Therefore, it would be

opportune now to consider the wider questions and issues which arise out of the current crisis in the peace process and consider the history of the process thus far in order to consider the present situation and future developments.

A superficial approach to the politics of our island has been to identify the fundamental issue simply as a territorial division of the island. Politics then revolves around the issue of how to end the division or maintain it, depending on which side one is on. This led us into a situation where the desire for territorial unity was acted upon by a minority in violent action and where a majority of Nationalists had no clear strategy to achieve their objective. Similarly, Unionists could only uphold their position through repression and discrimination with no clear strategy for securing consent for their legitimate rights from the majority of the citizens of this island.

As a result, political life in Ireland was dominated for much of the 20th century by the clash between irredentist nationalism and separatist unionism. Two territorial mindsets prevailed. On the Nationalist side it was assumed that because Ireland is an island, it should be one country and Unionists adopted their own territorial mindset best summed up as "What we have, we hold". In this view, the Unionist minority on the island was under siege and therefore the Nationalist minority in Northern Ireland could only be regarded as the enemy and not as fellow citizens. These mindsets led us into the protracted conflict of the late 20th century known as the Troubles.

Together with the tendency of the British mindset to see the conflict as a simple law and order security problem, we were condemned to 25 years of violence and destruction. To end the Troubles, it required us to look at the total picture and underline relations between the communities and Governments on these islands. In particular, we had to change the territorial mindset and look at the fundamental divisions on our islands. That is what I, my colleagues in politics and many people in all walks of life have been doing for the past 30 years.

Essentially, to challenge the territorial mindset is to recognise that Ireland is divided, not because the piece of earth is divided but because the people of Ireland are divided. Without people, we are only a jungle. The real Border is not the line on the map because it would not exist if not for the powerful barriers running through the minds and hearts of people on this island. The real Border is in the minds and hearts of people. Therefore, the real task is removing that border and the real task of politics is to change hearts and minds and not to redraw maps. That is why we need a healing process — one which addresses the underlying causes of division — not just the political symptoms.

Crucially, this meant that the use of violence was not only totally wrong, it was also counter-productive politically. Not only would the use of violence not advance the objective of its

practitioners and supporters, it made a bad situation worse. Violence entrenches the division. In other words, the division between the people of Ireland is deepened by violence. There is no way it can end it and it breaks more hearts and simply engenders further violence. In these circumstances, the only approach was an inclusive agreement, arrived at through dialogue and mutual respect for everyone's rights, freely arrived at in a totally peaceful atmosphere — and that would be the beginning of the resolution of the conflict.

As far back as 1977, having lived through the problems in the North, I stated that only a real and dynamic partnership between all our people could solve our problems. I said:

The necessity of equality and the necessity of consent can now be promoted only by a partnership between the two Irish traditions. The road towards that partnership will be long and hard but there must be a beginning — a first step in what may well be a journey of a thousand leagues.

When we began to put forward such ideas in the 1970s, many people on both sides of the divide were suspicious. For Nationalists, it was seen as a break with tradition while Unionists suspected we were just putting new wine into old bottles. It has taken a great deal of time and effort to get to a position where finally the majority of the people of this island endorsed that analysis by voting for the Good Friday Agreement in 1998.

I will briefly chart the steps along the way. The first indication that there was some hope of ending the conflict was when the Sunningdale Agreement was negotiated.

If the Sunningdale agreement had worked, we would have saved a great many lives and avoided two decades of violence. However, the failure of Sunningdale showed that we had underestimated the degree of division between Unionists and Nationalists. The suspicion, hatred and prejudice were much more deeply rooted than we had predicted. Unfortunately it then became clear that resolving the conflict was going to be much more difficult and would involve a deeper transformation of mindset than any simple political deal between governments and parties. Any agreement would have to obtain the consent of our divided peoples.

The next major step was the creation of the New Ireland Forum in 1983 when for the first time parties of the Nationalist tradition, North and South, sat down together to re-evaluate our assumptions and to try and reach a consensus on the way forward. This was of huge significance because for the first time we had agreement between the significant parties representing Nationalist Ireland — all the major parties represented in this Oireachtas and the SDLP. There was an agreed approach for the first time and that was the first major step in the peace process. It provided us with a framework on how to move forward towards an agreed Ireland that

[Mr. John Hume, MEP.]

would have the agreement of both Nationalists and Unionists in Northern Ireland and of the two Governments. The lasting result was our formulation that any possible solution had to address the three major relationships underpinning the conflict — relations between Unionists and Nationalists in the North, between North and South and between Ireland and Britain. That was accepted by the vast majority of Nationalists on the island.

The New Ireland Forum paved the way for the Anglo-Irish Agreement of 1985 and that agreement was particularly important in dealing with the relationship between North and South and between Ireland and Britain. However, Unionist rejection of the agreement meant that we still had to work on making unionism part of the political process. The Downing Street Declaration of 1993 was designed to bring everyone into the political process including those previously excluded. Unionists were given guarantees while the republican movement was offered the chance to give up violence and take part in mainstream politics. Following the Declaration the republican and loyalist ceasefires of 1994 provided a new impetus to the search for an inclusive political settlement. As my party has consistently argued, only in the absence of violence could any political progress be made.

Eventually we arrived at the Good Friday Agreement. I will discuss the Agreement in more detail in a moment, but I want to refer to two other important factors in arriving at the Agreement. The first is the great interest taken in the resolution of our conflict by the United States. The US has been engaged in promoting the cause of peace on our island since the late 1970s when what became known as the four horsemen, Tip O'Neill, the Speaker of the US Congress, Congressman and later Governor Hugh Carey, Senator Edward Kennedy and Senator Daniel Moynihan launched their initiative. President Jimmy Carter also took an active interest. Successive Presidents have followed his lead. However, with the election of President Clinton a huge step change took place in terms of US influence, activity and support for our peace process.

The second factor is the existence of the European Union and the fact that both parts of the island are members of the EU, which has been very influential. The EU is the best example in the history of the whole world of conflict resolution. Countries that slaughtered each other for centuries now share the common institutions and policies. While the first half of the 20th century with its two world wars and 50 million human beings slaughtered, was the bloodiest period in the history of Europe, the second half was a period of unprecedented peace and prosperity, with those people all united.

Before I consider this further, I would like to dwell on this point for a moment. The great lesson of European integration is that seemingly

perpetual and intractable conflicts can be not only resolved but also reversed. In these days of international terrorism and war, the countries of the EU and our friends should be sending out the philosophy of peace and not sending armies. Whereas bombs and bullets only serve to deepen division, the example of the EU shows how divisions can be healed in the interests of all the people. I would like to see the EU setting up a special department of peace and reconciliation in the Commission with a commissioner and sending to areas of conflict not armies, but the philosophy and the principles of the EU because those principles will solve any conflict.

I never stop telling the story of when I first got elected to Strasbourg in 1979, I took a walk across the bridge from Strasbourg in France to Kehl in Germany. I stopped in the middle of the bridge and thought, Good Lord, if I had stood on this bridge 30 years ago, at the end of the worst half century in the history of the world with two world wars and 50 million human beings dead and told myself not to worry, that it was all over and those countries will all in a number of years be united, I would have been sent to a psychiatrist. However, it happened and it is something we should never forget. If France, Germany and Britain as well as other member states were able to put their differences aside, then it seemed feasible to resolve our conflict. In the darkest days of our conflict, the EU was a powerful inspiration, giving us the confidence that one day a peaceful Ireland would become possible. That indeed proved to be the case.

As well as being a source of inspiration on the principles of peace, the EU has also contributed in practical, direct and indirect ways. Through its regional, agricultural and cohesion policies as well as the existence of the Single Market, it has helped both parts of the island to build up the economy, change attitudes and bring us closer together. It also helped to promote better relations between Ireland and Britain. Irish and British Ministers, officials and politicians work together on a wide variety of issues in a much wider context than the narrow ground of Northern Ireland. It has helped to place the relationship between Ireland and Britain on a stronger footing. Who would have believed that members from the SDLP, the UUP, the DUP, Fianna Fáil, Fine Gael and Labour would be sitting in the same Parliament? Yet that is happening in Europe all the time. They agree on many issues, so it should not be too difficult to do the same on this island.

Membership of the EU has of necessity obliged people to work together in promoting common interests within the EU. It is much more effective when Northern Ireland speaks with one voice within the EU. Making use of European Union programmes often means that communities have to work together across the divide. This is particularly the case with the special programme for peace and reconciliation.

The EU has also helped to promote better relations between North and South as people discover their common interests. As a peripheral island, both parts of the island often find that their interests are identical when EU policies are being formulated. This is most noticeable in the case of agriculture, our largest industry on both parts of the island, but there are many other policy areas where we have common interests on this island.

I want to take a closer look at the EU because the principles behind the EU are the principles behind the Good Friday Agreement. They are the principles I referred to earlier which should be sent to any area of conflict in the world. The first principle is respect for difference. Every conflict is about difference, whether it is race, religion or nationality. Difference is an accident of birth. None chooses to be born into any community, country or race. Therefore it is not something we should fight about. There are not two people in this Chamber who are the same. There are not two people in the world who are the same. Differences are inevitable and are the essence of humanity. The answer to difference therefore is to respect it and not to fight about it. That is the first principle of the EU.

Accepting that there is going to be differences is the basis for the second principle, namely, the need for institutions that respect those differences. Therefore, all member states are represented in all the institutions at every levels. Every country has a member of the European Commission and a member of the European Council of Ministers and every country is represented in the European Parliament. No one has a permanent majority, nor a permanent minority.

The European Union is an extremely complex set of institutions designed to ensure that everyone is treated fairly and where everyone's fundamental interests are protected and advanced. An important issue for us is the purpose of the institutions. These are not just there for their own sake but to attain specific objectives. The treaty identifies the promotion of economic and social progress for their peoples as one of the principal aims of the member states. This is the most important principle behind the creation of lasting peace in Europe. It is a principle I always call the healing process, that is, the peoples of Europe, through the institutions, working together in their common interests, no longer waving flags at one another or fighting about them but working on real politics in their common interest, namely the socio-economic development of Europe. In other words, they spilled their sweat and not their blood. Real patriotism is spilling one's sweat for one's country, not spilling blood for it. As they did this together, they broke down the barriers of centuries of distrust and division, and the new Europe has evolved and is still evolving.

The relevance of these principles to the Good Friday Agreement is obvious, and we have begun

a healing process in Ireland. It is not easy, and there have been setbacks, but once the institutions are in place and the healing process begins once we start working together in our common interest, spilling our sweat and not our blood, the real border in Ireland will be eroded in the minds and hearts of people, and the new Ireland will evolve, based on agreement and respect for difference. Catholics, Protestants and dissenters will at last look together in total agreement, total harmony, total respect for one another, which will mean total unity.

Principle number one of the Good Friday Agreement is respect for difference. It is not a victory for either community, it is a victory for us all. No one must stop being a Nationalist or a Unionist. No one has to renounce their identity or aspirations. Everyone must agree to pursue their goals by exclusively political and peaceful means.

Principle number two is the need for institutions that respect differences at the heart of the Agreement. The Assembly is elected by proportional representation so that all sections of our people are represented. The Executive is chosen on the basis of proportional representation so that the composition of the Executive ensures that everyone is represented at the heart of the political system.

Principle number three is that the institutions of the Agreement will be there to work in the common interests of all the people. When the Agreement was in full operation, remarkable progress was made, despite the many issues that divide the political parties. Programmes for Government have been agreed, as have the even more difficult problem of budgets. Some people appear to be surprised by this, but I regard it as an inevitable part of the healing process once political parties were given the responsibility of ensuring that the major economic and social needs of their people were fulfilled.

Leaving aside the major constitutional issues that have hindered the operation of the Agreement, there are many differences of opinion between the parties. This, however, has not prevented widespread agreement on the practical business of what I am describing as real politics, the promotion of the socio-economic agenda. To pursue wider and long-term objectives, people must live. The right to live in peace, to a decent standard of living, with access to education, housing and health care are necessary for everyone — this is normal politics, irrespective of people's constitutional views. The political picture looks very different when one must focus on the totality of society rather than on the political symptoms.

We cannot heal the wounds of centuries in a few years. The violence of recent decades in particular has left deep wounds. The hurt inflicted and suffered will not go away because the Agreement has been reached. The Agreement cannot take away the pain, but it is the start of the healing process. It has the

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potential to deliver so much for our island, North and South. Through working the Agreement, we can build a society where poverty is eliminated, where we provide the very best in schools and hospitals, where our old people feel safe, where we nurture our sense of community, where there is no place for racism or sectarianism and where everyone, young or old, can realise their full potential. The Agreement provides us with the opportunity to truly cherish all of our island's children equally. We must do so in a spirit of co-operation with our partners in the European Union and beyond.

As I already mentioned, the European Union has provided the people of Ireland with many benefits and opportunities. For that reason I am very enthusiastic about the accession of ten new states to the Union on 1 May. This will finally see an end to the artificial division of Europe created after the Second World War. This enlargement will not just see the natural reunification of Europe, but it will add to the cultural and social diversity upon which the Union is built. We will see the creation of an enlarged market of more than 450 million European citizens, which will be by far the largest single market in the world. This, in turn, will not just allow countries like ours to benefit through the inflow of new peoples with new energies and talents, it will provide opportunities for our own young people to travel and have new experiences. I am certain our small and medium sized industries and businesses, North and South, will be able to harness the possibilities opened up by these new markets so as to create new jobs.

I would like to commend the ten countries which are about to join the Union, particularly those which less than two decades ago were in the grip of imperial Soviet communism. It is my sincere wish and expectation that in joining the European Union, these countries will be able to share fully the benefits of democracy, human rights and the social market for all their citizens. I commend all those involved in negotiations with these countries for their efforts. I do not think it is too early to look beyond May at developments that will occur after that accession. I look forward, in particular, to the accession of Bulgaria and Romania, which I hope will be ready to join the European Union in 2007. Thereafter, we should welcome those other applicant states which meet the standards set down for membership of the Union.

It would be remiss of me not to mention the sterling efforts of the Irish Presidency, which at this time is contributing so much to the development of the new Europe. Great efforts are being made to finalise arrangements for 1 May, while at the same time the Irish Presidency is pursuing applications for further member states. I commend the priority being afforded to the development of a new European constitution by the Presidency following the work of convention under Valéry Giscard d'Estaing. This

is necessary given that our institutions were devised initially to cater for a community of just six states, whereas we will soon have 25 member states, and more. I am convinced the constitution should be based on the primacy of a Europe of equal member states. It is not in the best interests of the people of Europe to create a two-tier European Union. That would undermine the most fundamental principle of Europe — equality and respect for difference. The principle of co-operation on which the European project is based must be based on a foundation of equality and inclusiveness. I have every confidence that the current difficulties in devising a new constitution will be overcome. Likewise, I believe the democratic imperative of the agreement will eventually see it is implemented.

Working together in our common interests is the best political medicine we can prescribe. As we do so, and as the healing process evolves and new generations emerge, we can look forward to the emergence of a new Ireland in a new Europe. We do not know where the healing process will take us and how quickly it will proceed but we know it is the best possible way to treat the wounds and divisions of centuries past. In looking towards that future, I am still inspired by the words of Martin Luther King Junior which I first heard when he accepted his Nobel prize in 1964. These words, which today give us hope to move forward, were as follows:

I still believe that one day mankind will bow before the altars of God and be crowned triumphant over war and bloodshed, and non-violent redemptive goodwill will proclaim the rule of the land.

An Cathaoirleach: We will now call on the leaders of the political groups and then on other speakers, probably the spokespersons on Northern Ireland and on European or foreign affairs. We will ask Mr. Hume to reply to the contributions after the questions but not later than 12.15 p.m.

Ms O'Rourke: I know that the leaders of each party in the Seanad will make their own statements, but on behalf of the House, and as Leader, I wish to say how honoured we are that Mr. Hume has agreed to attend today and to speak to us. When he announced that he was to retire from active public life — although I have every belief he will not actually retire — we had a debate on the Order of Business. Senator Brennan proposed that Mr. Hume be invited and we took up the suggestion joyfully, as did Mr. Hume, who in the spirit of reciprocity immediately accepted the invitation.

When Mr. Hume spoke today, he epitomised for all of us what has kept him going for all those years. His address was epic-like in its proportions, scope and humanity. Above all, it is those epic qualities which Mr. Hume possesses which have infused all his actions and all he has said over the

years. We think of how valiant and courageous, but above all how full of hope, Mr. Hume has been. There must have been many occasions when hope seemed to have died, but Mr. Hume always emerged with his beliefs intact, in particular his belief that violence could be ended, that the territorial mindset of which he spoke so eloquently could be put to one side and that the mindset of people with their individual traditions could be absorbed.

We think of all the occasions over the past years when Mr. Hume has been the person who has spoken the right words which have captured the minds and feelings of people. We think of all the grieving people at gravesides, in particular the wives, sisters, sweethearts and mothers of people violently murdered. During all those years, Mr. Hume's belief in what could be brought about remained dominant. Mr. Hume referred to the Good Friday Agreement. Democracy is the touchstone. It is the one that lasts. People voted, and we have no right, north or south of the Border, to put aside the people's vote. We must stick with it.

I have a particularly fond memory of John Hume at a time when odium was being heaped on him because of a very courageous venture on which he had started — the venture of conversation, which is the most ordinary thing in the world, but which at that time seemed to be conversation with men of violence. He accepted and rose above that odium. That was a very important time, which was also referred to in this House.

Mr. Hume noted the Sunningdale Agreement, the New Ireland Forum and the events which flowed from them, which are hugely important to all of us. Mr. Hume has done us great honour in attending this House. People talking of the Seanad ask if there is a need for a bicameral system, a need for a second legislative Chamber. Occasions such as this make one believe there is such a need and this intimate but beautiful Chamber has been greatly honoured by Mr. Hume's visit today.

I have known John Hume for many years and I have always felt invigorated and exhilarated following conversations with him. There are distinguished visitors in attendance and we are very glad of their presence too. I will end with a quotation which has been used on many occasions. A splendid occasion such as this requires that we pay proper tribute to it. The quotation is from Seamus Heaney's poem, "The Cure at Troy":

History says, *Don't hope*
On this side of the grave.
 But then, once in a lifetime
 The longed-for tidal wave
 Of justice can rise up,
 And hope and history rhyme.

John Hume epitomises hope and history. We thank him for attending today.

Mr. B. Hayes: On behalf of the Fine Gael Members in the House, I welcome Mr. John Hume, MEP and MP, to the Seanad. I thank him for his inspirational address to the House.

Mr. Hume knows the level of respect he has commanded in this country. This State owes him a great debt of gratitude in particular because of his stance and his dogged determination to end violence in Northern Ireland over the past 35 years. His voice has remained consistent throughout. He has doggedly opposed the terrible physical force tradition that unfortunately exists in Irish and British nationalism. He has transformed Irish nationalism like no other person I know of over the past 100 years or so. Too often we forget that the constitutional, parliamentary route of Irish nationalism has as much emphases and means as the other more dangerous physical force tradition. Mr. Hume epitomises the constitutional, moderate way forward, the nationalism that listens to people and which understands from where they are coming. He has dramatically changed Irish nationalism for a generation by means of his contribution over the past 35 years.

One of the great accolades any politician can hear from an ordinary person on the street is a statement of for what the politician stands. Some people find it difficult to say for what any politician stands. If one asks an ordinary person in the street what John Hume has stood for, the simple and consistent answer one will get is that he stands for peace. His analysis of the problem in Northern Ireland, and the problem between Britain and Ireland, is not only the analysis of every constitutional party in this Republic, and of every mainstream party in the United Kingdom, but also the analysis of our people. That is a tremendous success and a tremendous accolade to Mr. Hume for what he has achieved over the past 35 years.

Ordinary people now understand that the British-Irish problem is one of three sets of relationships because Mr. Hume spoke about that 35 years ago. It is a problem to do with a lack of respect for the British in Ireland and the Irish in Britain, and all the other relationships which go with that. The fact that virtually every political party in this Republic now in effect holds the SDLP position is a tribute to Mr. Hume's doggedness in his persuasion over many years. On behalf of every politician in this country, I compliment him in that regard.

I agree with Mr. Hume that the two current outstanding issues are ending paramilitarism and getting the Agreement back up and running with an inclusive government. Has Mr. Hume given consideration to a suggestion I made, and which the SDLP also made just two weeks ago, about bringing Nationalist Ireland together once again, a little like what happened in the New Ireland forum in the mid-1980s, in all its shades and

[Mr. B. Hayes.]

varieties, North and South, to speak with one voice on the remaining problem facing the successful implementation of the Agreement, namely the ending of paramilitarism once and for all and the ending of the physical force tradition which has bedevilled this society for 300 years? Would Mr. Hume now see it as important that Nationalist Ireland would come together again through the Forum for Peace and Reconciliation, so ably chaired by Senator Hayes, to speak with one voice and to say to the paramilitary parties, in particular Sinn Féin, that it is time to move on, to take the responsibility seriously on all these matters, so that we can put this terrible period of suffering behind us forever? It is a great honour to hear Mr. Hume speak in this House today. I welcome him to the Seanad on behalf of my colleagues and I thank him for his address.

Mr. O'Toole: On behalf of the Independent benches, it gives me great pleasure to welcome Mr. Hume to the House. It has always been a continuing difficulty which I have discussed with Mr. Hume on many occasions that because he has had so many titles, we never knew whether to call him the Right Honourable, or my honourable friend, or Excellency. I have always tended to irritate people by referring to him as my constituent, Mr. John Hume. I have been a diligent NUI voter over those periods and it was many years ago that Mr. Hume took me to that bridge at the side of the European Parliament, pointed out across the two rivers and explained to me that very point which is the fundamental of the European project. I have never forgotten it and it was long before I became a Member of this House.

What we heard today, which is hugely and crucially important, were the steps and milestones of an extraordinary career devoted to the development of peace on this island. The basic principles have always been to never allow a political vacuum to develop, of introducing the concept of parity of esteem at a time when there was no market for it, which was John Hume's by-line, and the concept beyond that of accommodating difference, which was the manner in which he showed the way forward on both sides. More than anything else, John Hume reduced the Border to a psychological barrier, and he said that again today. It is the abiding memory people will have.

The point of his career we will remember is the way he conducted his business. He outlined his vision and saw the objective, and his direction was informed by both. The way he did that was through people power, through the harnessing of the will of ordinary people, by keeping his finger on the pulse of ordinary people, by giving direction, by using democratic structures, by harnessing those at political levels, by ensuring there was a strategy going forward and by doing so in a peaceful way which brought the majority with him so many times against the odds. He

never recognised the odds but always saw the objective and the bigger picture. In that sense, what he has delivered makes him the Gandhi of this island. It is a legacy which will continue and which continues to inform the way we think.

Mr. Ryan: Everybody has memories of when they first met John Hume. As his colleague in the Party of European Socialists, he is particularly welcome from the perspective of the Labour Party. It is difficult to follow what has already been said. The issue about which John Hume spoke today and which strikes me most as still so relevant is that we know his extraordinary commitment against violence. What many of us have probably not taken on board, however, is something that came towards the end of his address, namely, his huge commitment to the creative power of non-violent struggle as distinct from simply saying violence is wrong. That is why my eternal memory is of John Hume sitting on a street in Derry on the day of internment drenched in British Army dye when he told people, even in the face of that type of provocation, that the way to resist was the way of non-violence. In the teeth of the most appalling provocation, he said to the people he led that non-violence was the way.

It is, therefore, particularly appropriate that he quoted Martin Luther King. A fascinating fact is that one of last Sunday's British newspapers disclosed that when young people in Britain were quietly asked who their heroes were — everybody expected it to be the long list of celebrities with whom young people are obsessed — number one was Martin Luther King, number two was Gandhi and number three was Nelson Mandela. It said much about what people really want out of politics and politicians. In many ways, John Hume's career is the epitome of that. It is the epitome of moments of great prominence but those moments are based on the dull tedium of democratic politics where one cannot make the grand gestures and where one must work at persuading people, including middle ranking and senior civil servants who persuade junior Ministers who persuade senior Ministers.

John Hume's career is one of great achievement based on two convictions, namely, that politics works and is worth working at and that where conflict exists, the only real resolution is that based on non-violence, which is not the same as accepting injustice; it is the way one uses to eliminate injustice. For many of my generation who grew to maturity during the Troubles in Northern Ireland and beyond maturity into semi-senility, John Hume is the inspiring figure of somebody who believed in another way of remedying injustice other than the "romantic" way of violence. For that, a whole generation of Irish people should thank him.

Mr. Dardis: It is a great honour for the House that John Hume has attended this morning and it is a privilege to be here to hear what he has to

say. We are conscious that we are in the presence of one of the politicians of the very first rank of this generation and who transcends not only this island, but Europe and the world. We are also conscious that he is a Nobel laureate. In recognising the work he has done over his lifetime, we extend to him and his wife every good wish in his retirement, which will be active.

As we stated on an earlier occasion, what we must recognise most of all is an unswerving commitment to democracy and to the way of peace and dialogue. I suppose it is easier now to think that was not such an achievement but many times, as the Cathaoirleach will be aware, we recorded the very dark days and the numbers who were killed and murdered. It is in that context that one must salute the commitment, dedication and the essential work to ensure democracy was sustained. Perhaps we do not give as much cognisance to that today in a more peaceful time as we would have in the past. To sustain that over such an extended period must have created an enormous emotional drain and psychological burden which we must salute. We also salute the integrity of the vision which was sustained over the period.

The poison of violence has been referred to and the cessation of paramilitarism is essential in all of this. The border of the mind is something about which John Hume has regularly spoken and it was one about which the late Senator Gordon Wilson, when he was a Member of this House, frequently spoke. The late Senator Wilson frequently wondered how so many people on a small cabbage patch could not agree to tend the garden. That was the analogy he used. We recognise that border of the mind and John Hume has charted the way in which those borders can be eroded and demolished.

The comparison with the achievement of the European Union is a valid one where under such appalling circumstances, an edifice of peace was so effectively constructed and has endured. There is a lesson there in that while the situation was extraordinarily bleak, dismal and difficult in the past in Northern Ireland, perhaps one has to look into the abyss, as was done in Europe, to understand the need and to reinforce the belief that the only way forward is through peaceful and co-operative means.

The Agreement remains the template. We look forward to progress in the future. We can only wonder why democratic politicians would not wish to control events and regulate the way in which society is ordered within their country. Perhaps if that was kept firmly to the forefront of minds, more progress might be made. We salute everything John Hume has done and recognise his achievements.

Mr. Bradford: I wish to be associated with the tributes paid to Mr. John Hume MP and MEP, and I am pleased I can add a few words to them. It is fair to say that over the past ten to 15 years, the face of this island has changed. Some of my

younger colleagues in the House would not be able to recollect fully the dramatic transformation of the island that has taken place since the late 1980s. More than any other individual, Mr. Hume has played a substantial role in bringing about that change. His role goes back further over the past 30 years. Mr. Hume was always prepared to take the road less travelled, whether it involved taking the peaceful route during the civil rights protests or adopting the same stance at Sunningdale. Most important was his willingness to engage in dialogue in the late 1980s and early 1990s with people to whom we felt indifferent and far removed.

Mr. Hume was the recipient of public odium at that time because of the lines of communication he opened with the republican movement.

Members of the Oireachtas and
12 o'clock others were critical of that, but how wrong we were. Mr. Hume was right to pursue that course and we are now beginning to see the fruits of his labour. His raw courage and common sense made us all realise that dialogue is the only way forward. The success of his mission can be seen in that we are now beginning to have a degree of normal political discourse in Northern Ireland. There is a long way to go before the type of arrangements we all aspire to for this island will be put in place, but the significant steps have been taken with Mr. Hume's assistance. For that we owe him a debt of gratitude.

As we move the political process forward, we must keep our minds open and ask ourselves if we are ready for the consequences that will flow from the type of political co-operation required to engage all sides in an overall solution. Generosity, which was always at the core of Mr. Hume's political arguments, demands that we should be prepared to reach agreement with people with whom we may not previously have been willing to talk. The lesson of Mr. Hume's work is not just one for politicians in Northern Ireland, but also one for politicians in the Republic.

History will record that at a time of great division and struggle on this island, people such as Mr. Hume proposed the principles of peace, justice and negotiation that enabled us to see some light in the darkness. We were thus able to move slowly but surely towards a better future for all the people of the island.

Dr. M. Hayes: It is a great personal pleasure to welcome my old friend John Hume to the House. I will not go over the ground that has already been covered, except to endorse what has been said. I was particularly touched by Senator Ryan's tribute, which represents my own feelings about Mr. Hume more than anything else. I think of him as one of the great standard bearer's of Irish parliamentary democracy. I would put him on a par with Daniel O'Connell in his commitment to the democratic process against all other approaches, including violence.

[Dr. M. Hayes.]

I am sure I am the only person in the House who saw Mr. Hume operating as a Minister in the power-sharing executive. He was first class at it. I remember sitting in the darkness one night in the middle of the Ulster Workers' Council strike. We were waiting for the people who were tearing down the properly elected post-Sunningdale executive by their own violent means to allow us 20 minutes of power during which to boil a kettle. There I was, sitting with Mr. Hume, the Minister for light. Even at that darkest hour he was talking about the new Ireland, the new Europe and how things could be improved for everybody. That is the enduring characteristic of Mr. Hume's career — he never cursed the darkness, but lit a candle instead. In doing so he gave enormous encouragement to many people who were deeply oppressed at the time. He showed them ways out through the civil rights movement. By his own great physical and moral courage in continuing to operate in those circumstances, he provided encouragement to so many others.

He redefined nationalism for all of us in terms which made it compatible with the 20th century and also in terms which led to the possibility of a settlement on this island. His abjuration of lines on maps in favour of lines in people's hearts and minds is the key. He is right that, in many cases, the violence of the past 30 years made it more difficult than it otherwise would have been to heal those divisions and achieve the ends we all want of a secure and happy *modus vivendi* on this island. There is a danger that, in continuing with the encomiums, we may forget what Mr. Hume said to us today. We should keep thinking about his seminal remarks.

I am glad Senator Dardis paid tribute to Mrs. Pat Hume also. All too often, we forget the sacrifices that are made by the wives and families of great men, which keep them going. I hope he will get time to rest and enjoy things with his family and that he will come back to the Seanad as a wise man — a sort of magus in this society — to help us to deal with the great issues and problems of the day.

Senator Brian Hayes suggested that, in his response, Mr. Hume might discuss how we could deal with the current situation. I would like him to consider how we might deal with two great problems. First, how do we bind up the wounds of society, particularly in the North? I have great suspicions of what I call the memory industry and I get worried when people talk about expunging records on one side, which I can see arguments for, while at the same time crying out for the fullest judicial investigations. How do we deal with that issue? Second, since Mr. Hume is a European at heart and has been instrumental in the development of a constituency for Europe in this country, how would he suggest we begin to move the Irish people from being net recipients of EU aid to being net contributors?

It is an enormous pleasure and a privilege to have heard Mr. Hume's address to the House and

to have played a small part in paying tribute to what he has done for this country and for his fellow people.

An Cathaoirleach: A number of Senators are offering and while I am reluctant to ask contributors to be brief, I must do so. Otherwise, some Members will be disappointed.

Mr. Quinn: I first met John Hume back in 1972 at the funeral of my brother-in-law, Mr. Jack McCabe. Mr. Hume inspired us in those days and in the days that followed, particularly during the power-sharing executive and the UWC strike, to which Senator Maurice Hayes referred. He still inspires us today. We were particularly struck when he spoke of spilling one's sweat, rather than spilling one's blood.

I asked a Japanese friend of mine how he succeeded.

He gave me a quote which I always remember: "Whether you believe you can or whether you believe you can't, you're right." He played tennis and he said if he went into a match and thought he could not beat his opponent, he was right, and if he went in thinking he could win, he was also right. What John Hume has done through the years tells us he believes he can. He has proved this because he has been determined and courageous and he has achieved his goal. I hope, in his retirement, he will continue to inspire us towards the goals he has set.

Dr. Mansergh: It is a great privilege to have amongst us the person whom history will undoubtedly judge as the greatest statesman to come out of the North of Ireland during a troubled and difficult period. His career has been the embodiment of the values of the civil rights movement — what Senator Ryan called the creative power of non-violent struggle — and he stands in the honourable tradition of The Liberator, Daniel O'Connell. He was at the centre of every creative peace initiative that has tried to resolve the conflict over the past 30 years.

Everybody regrets others were not willing to share power and responsibility with John Hume and his party and now there are difficulties sharing power on a much wider scale. I always remember one particularly potent line John Hume inserted in the Downing Street Declaration, which was roughly:

It is for those who believe in a united Ireland to persuade those who do not but I think the opposite is also true. It is for those who believe in the Union to persuade those who do not. I am absolutely certain that paramilitary activity will not win any converts to a united Ireland any more than loyalist paramilitary activity will win any converts to continuing with the Union.

The degree of peace we have is a great achievement. I pay tribute to John Hume's European statesmanship. I wish his enthusiasm

for Europe was equally shared throughout the political spectrum in Northern Ireland.

Mr. McHugh: I pay tribute to John Hume on behalf of the people of Donegal. He will not mind me being parochial because we claim a little ownership of him. He is an adopted son because he is regularly seen in Greencastle on Sunday nights in a wee restaurant. He is very much part of the social infrastructure there.

Mr. Hume, MEP: It is not a wee restaurant. It is the best fish restaurant in the whole of Ireland.

Mr. McHugh: That is good public relations. I entered politics five years and the first time I met John Hume was in that restaurant in Greencastle. My father went up to his table and introduced him to me. I was angling to get some advice from the wise old fox but, when he found out my mother was a nurse, he was more interested in speaking to her because the nurse's strike was on at that time. He was more interested in finding out about the difficulties of being a nurse and that resonated very much with my mother, my father and myself because we witnessed John Hume, the politician, who was interested in the people and the real issues on the ground. I pay tribute to him and congratulate him.

Ms Ormonde: I will pay a brief tribute to John Hume. Long before I entered politics, I knew about him. I came from a background where Northern Ireland was the subject of constant discussion and John Hume's name kept coming up at the dinner table. I understood his vision from an early age and I am delighted, having listened to his contribution, that his vision still exists. This was empathy and a desire to interact in his contribution to bring peace and mind together. That is his core principle. He is a model for future generations to work towards peace. I wish Pat and himself well in their retirement.

Mr. Mooney: I am humbled to be in the presence of such a colossus of the political landscape and to be among distinguished colleagues in the House who have paid John Hume due tribute. I share the view of historian, Senator Mansergh, who equated John Hume to Daniel O'Connell in terms of his activities. One could also refer to Grattan, Parnell, John Redmond, the blood sacrifice of 1621 and the modern Irish leaders. Many young people were in the Public Gallery while John Hume made his contribution. Their sons and daughters will read about the events of the last 30 years in history classes but they will be able to say they were present in the Seanad when John Hume, who has contributed so much to the peace process, addressed it.

Enoch Powell, with whom John Hume crossed swords on a number of occasions, reputedly said a politician's destiny inevitably ends in failure. John Hume will look askance at what is happening in

the North and, hopefully, he will respond to questions raised about the current crisis in the peace process. However, none of us will look on his career as one that ended in failure. His achievements shine brightly and, irrespective of how the process proceeds, his legacy places a great burden on the next political generation and I hope it will rise to meet the aspirations he loftily put together and will achieve what he has achieved in his time.

An Cathaoirleach: I thank Senators who contributed for their co-operation in ensuring every Senator who wished to contribute did so.

Mr. Lydon: It is a great honour to be in the presence of John Hume and I am privileged to contribute. Like many other Senators, I have known him for some time. I refer to his deep personal commitment. He has done a great deal of work while travelling to many places and his energy is phenomenal. He has travelled here, there and everywhere and I recall on one occasion asking him how he did it. He replied that he did not know where he was half the time and, if it was not for Pat, he would be lost because she arranged all the flights and tickets.

Mr. Hume, MEP: I am the parcel and she delivers me.

Mr. Lydon: Half these tributes should go to his wonderful wife. John Hume also has a wonderful gift, which is the ability to bring people together. He will recall Burntollet Bridge and years ago one could not imagine David Trimble and Gerry Adams even talking to one another. However, they are at the stage they are at because John Hume constantly and gently persuaded them over time. There was no bullying or threats as he took them along step by step and kept saying violence was wrong and the only path forward was through peace. I congratulate him and thank him for attending.

Mr. Hume, MEP: I thank all Senators and I was honoured to be here today. However, I will make two points in response to the points raised. First, the people of Ireland as a whole have spoken as to how they wish to live together. We do not use that enough in terms of implementing the Agreement because it is the duty of all true democrats to implement the will of the people. However, it is also a strong argument to the paramilitary tradition. It was the historian in me that began the dialogue. I knew the reasons behind paramilitarism historically and my effort was to show that, whatever about the past, they do not exist today and the Downing Street Declaration made that clear.

Paramilitarists on the Nationalist side always claim to be acting in the name of the Irish people because the last time the people of Ireland spoke was in 1918. They can no longer make that claim. Therefore, the fundamental reason for

[Mr. Hume, MEP.]

paramilitarism no longer exists. It is the duty of all true Irish people to implement the will of the Irish people.

On the other side there is the principle of consent. It has been the central principle of unionism throughout its existence that there can be no change in the situation in Northern Ireland without the consent of the majority. The whole of Nationalist Ireland now accepts the principle of consent. It was reinforced in the joint referendum that the Agreement could be put into place only with the consent of the people of the Republic and of the North. Therefore, Unionists should be told clearly that if they overthrow the Agreement they will be overthrowing the principle of consent because they will be overthrowing something for which a huge majority of the people of Northern Ireland voted. If the principle of consent is overthrown, how is the problem to be resolved in the future, other than by the two Governments working together to come up with an answer? The need to preserve the principle of consent would be a strong argument to put to unionism.

In spite of our present difficulties, the atmosphere on our streets has been transformed. Our streets are very different from ten years ago because of the total absence of tension and of troops. It is our duty to do all in our power to implement the will of the people.

I thank Senators very much for their kindness to me today. I am honoured to have been asked to come here and I hope what I said made sense.

Mr. P. Burke: Mr. Hume's contribution today serves to remind us that Ireland will be the poorer for his withdrawal from political life. My colleague, Senator Brian Hayes, observed that when ordinary people are asked what they think of when the name of John Hume is mentioned they say they think of peace. The words, "reconciliation", "truth" and "justice" could equally be associated with his name. He has striven tirelessly and patiently to achieve peace, justice and reconciliation by peaceful means.

John Hume is not only a politician. His commitment to the Irish League of Credit Unions was unbelievable. While it might be overshadowed, it will not go unnoticed.

On behalf of the Members of Seanad Éireann, I thank Mr. Hume for his interesting address and for his comprehensive replies to the questions raised by Senators. We deeply appreciate his kindness in accepting our invitation to address the Seanad. I wish him and his wife, Pat, the best of luck in a long and happy retirement.

Sitting suspended at 12.30 p.m. and resumed at 1.30 p.m.

Motor Vehicle (Duties and Licences) Bill 2004: Second Stage.

Question proposed: "That the Bill be now read a Second Time."

Minister of State at the Department of the Environment, Heritage and Local Government (Mr. Gallagher): The origins of this Bill were established with the passing in the Dáil on 25 November last of a financial resolution which essentially amended the Finance (Excise Duties) (Vehicles) Act 1952 and the Finance No. 2 Act 1992 on rates of motor taxation and trade plate licences. The resolution has, however, only a limited life and to continue in effect it needs to be replaced by an Act of the Oireachtas, which provides it with a permanent legal basis.

The primary purpose of this Bill is to give a permanent legislative basis to the new motor tax rates set out in the resolution. These rates apply to tax discs taken out for periods commencing on or after 1 January 2004. The new rates, therefore, have already been in place since the beginning of the year and no increases over and above these rates are provided for in the Bill. A standard across the board increase of 5% has been applied to the old rates.

The primary consideration in making the decision to increase motor tax rates was the need to provide adequate funding for the non-national roads programme. In this regard, it is important to underline the fact that all of the estimated extra revenue generated by the increases in rates will be spent on non-national roads.

Unlike other taxes, motor tax is not paid into the Exchequer but instead is paid directly into the local government fund established under the Local Government Act 1998. The money in the fund is ring-fenced specifically for local government. This means it can only be spent on local government and cannot be dipped into and used by the Exchequer for other purposes. To underline the independence of the fund of the Exchequer, the Department maintains the fund bank account in a local bank close to the Custom House. In addition to motor taxation, the fund is augmented by an annual contribution from the Exchequer. The fund is used primarily for two purposes: first, to finance non-national road grants to local authorities and, second, to finance the general purpose block grants allocated to local authorities each year to assist them in their day to day current expenditure.

With the additional motor tax revenue which will accrue to the local government fund as a result of the 5% increase provided for in this Bill, combined with a significant additional Exchequer contribution to the fund, we have been able to increase the amount available in general purpose grants to local authorities in 2004 and to increase the amount of funding for non-national roads to record levels. What this means in money terms is that the 2004 general purpose grants funding package is €752 million, an increase of €92.2 million on last year. Since 1997 the level of general purpose grant aid to local authorities has increased on average by 122%, which represents an average annual increase of some 17% over the past seven years. This year's allocation for non-national roads is €477 million, which is more than

double the 1997 expenditure. It is almost 10% more than last year's expenditure and the highest in the history of the State.

This allocation of €477 million for non-national roads is made up of €428 million from the local government fund and €48.8 million from the Exchequer. The 2004 Exchequer allocation shows an increase of approximately €8.8 million or 22% over the initial 2003 provision. This increase in the Exchequer provision will provide funding towards the increased costs of key strategic non-national road projects, which will assist housing, commercial and industrial development. The additional funds being provided in 2004 will enable local authorities to progress work on these critically important schemes situated on the country's regional roads network.

The channelling of motor tax receipts into the local government fund and the use of this fund for non-national road grants has created an important link between the amount of tax paid by motorists and the service they get for that tax in terms of better roads. I hope the House will acknowledge that the motoring public is seeing the benefits of this spending on non-national roads. More work remains to be done, but an objective assessment would show that we have made huge strides in upgrading our non-national roads during the past seven years or so.

The national development plan provides for investment of €2.43 billion in the non-national road network from 2000 to 2006. This is a significant amount of money and I am especially pleased to see it is being spent well. As I mentioned in the Dáil recently, the non-national roads programme is one of the major success stories of the NDP. It continues to be one of the best performing measures under both the south and east and BMW regional operational programmes. As the continuation of this work by local authorities is dependent on adequate resources, we are increasing the rates of motor tax and trade plate licences. The proposed 5% increase in motor tax rates will raise some €34 million extra for the fund and the entire sum will be invested directly in our non-national road network.

Last year, RPS-MCOS Limited, consulting engineers, was appointed to carry out the second ever pavement condition study on non-national roads. The study is combined with a review of pavement management systems. The study forms part of the Government's ongoing commitment to restoring the network of regional and county roads to a satisfactory condition over the ten year period from 1996 to 2005. Its results will determine what progress has been made since 1996 and record the extent of remaining deficiencies in the non-national road network. The results will also inform the prioritisation of investment in the non-national road network over the coming years and help to ensure value for money. On completion of the study, local authorities will be asked to examine and submit

revised multi-annual restoration programmes for 2005 onwards.

The review of pavement management systems is a first. The consultants have been asked to review existing systems and recommend a single mechanism for use by local authorities on the non-national road network. This process is intended to assist local authorities in prioritising schemes for inclusion in the restoration programme. The study and review are due to be completed by August 2004.

As I indicated at the outset, standard increases of 5% are being applied to the old rates of motor tax. The new rates for all vehicles are set out in the Schedule to the Bill. Rather than take up the valuable time of the House by listing each and every new tax rate, I will make better use of our time by highlighting just a few details of what the proposed changes will mean in money terms for the private cars and goods vehicles which make up 91% of the national fleet. For the smallest private car engine size, which is under 1000cc, the annual rate increase is €7. For cars in the 1001cc to 1300cc range, the annual increase is between €11 and €13 while for cars in the 1301cc to 1400cc range, the additional annual increase is €14. As 60% of the national car fleet consists of cars under 1400cc, the extra costs for most motorists will be between €7 and €14 a year or 13 cent and 27 cent a week. For the remaining cars, the increases will range from €15 for cars above 1400cc to €64 for cars over 3001cc. Less than 0.5% of cars in the national fleet are in the 3001cc plus category.

As with private cars, the effect of the 5% increase on goods vehicles will vary depending on size. Where the rate for a private car will depend on the cubic capacity of the engine, the rate for a goods vehicle will be based on its unladen weight. Some 85% of goods vehicles qualify for the lowest level of charge and will pay an annual increase of €12 per annum or 23 cent per week. A 5% increase also applies to trade licences which are also known as trade plates. As the House may be aware, these are the green registration plates used by motor traders in lieu of taxation on vehicles which are temporarily in their possession. While there are strict restrictions on the use of such plates, they are transferable between vehicles. The increase for a pair of trade plates will be €13.

This is a short Bill. Its purpose is simply to give permanent, legal effect to the changes in motor tax rates and trade plate licences. These increases are being introduced with the single purpose of funding the non-national road programme to ensure that local authorities can continue the great progress which has been made in rehabilitating our non-national road network. The legislation is worthy of support from all sides of this House.

Mr. Bannon: While I welcome the Minister of State, Deputy Gallagher, to the House, I must ask why the Minister for the Environment, Heritage

[Mr. Bannon.]

and Local Government, Deputy Cullen, is running for cover. We have not seen him in this House since well before Christmas.

Mr. Brady: He is a busy man.

Mr. Bannon: As Minister, he should show a little more courtesy to the House. Hopefully, a message to that effect will be conveyed to him.

I am here to oppose this Bill in the strongest possible terms on behalf of my party and, indeed, the people I represent. The main purpose of the Bill is to give legislative form to the huge increases in motor taxation and trade plate licences which were contained in the budget. The increases represent a further stealth tax to make up for the financial shortfalls which are the direct result of poor management by the Fianna Fáil-Progressive Democrats Government. The Bill provides for another across-the-board tax increase of 5% which comes on top of last year's 12% increase in motor tax and trade plate licences. It adds to the string of stealth taxes and other increases imposed by an uncaring Government since the last general election. As we speak, local authorities around the country are being forced by the Government to introduce development charges ranging from €7,000 to €30,000 to develop infrastructure within their counties. This is fact.

Stealth taxes, including insurance and other levies, are the largest single contributor to high business costs and increased inflation. Increased Government charges of this kind are a key factor in the decisions of many companies to reduce costs by cutting their workforces. We have seen plenty of evidence of this even since Christmas. Companies, including one two weeks ago in my county, have abandoned Ireland due to the high cost of levies imposed by the Government. The massive increases in stealth taxes and charges imposed on industry by the Fianna Fáil-Progressive Democrats Government since the election less than two years ago are making it exceedingly difficult for companies to trade successfully in Ireland.

The Irish vehicle owner pays at least six fixed charges before he or she turns the key in the ignition. According to the representative organisation of European motor manufacturers, Ireland has the second highest vehicle registration tax in Europe after the Denmark. From time to time, the Minister of State has had the neck to encourage car owners to use unreliable public transport for traffic and environmental reasons. How can the public be expected to fork out extra money for public transport when they have been expected by the Government to bear an extra motor tax burden of 17% over the past year or so? The implementation of cut after cut by this ruthless Government continues to affect the welfare of citizens. We need only examine what has happened in our health services. Health jobs have

been cut, resulting in more people spending their hospital stays on trolleys. There are longer queues at accident and emergency units throughout the country and funding for carers and home helps has been cut — I have plenty evidence of this in my constituency of Longford-Roscommon. VHI charges have been increased by double figures and doctors have been forced to increase fees by this incompetent Government.

Free third level education has, effectively, been scrapped with the increase in college registration fees and other charges. There have been major cuts in funding for schemes designed to tackle educational disadvantage. The FÁS budget is almost eliminated. This afternoon we are debating another increase in taxation through stealth measures on top of the sneaking in last week of additional taxes on credit cards and passports. Where will this stop? Every area, including the most vulnerable, have been hit, with the exception of the betting tax. This is one of the few indirect taxes that the Minister for Finance, Deputy McCreevy, reduced in recent budgets. He gave further tax relief to the fat cats involved in the racehorse industry, many of whom are his friends. This sticks in the throats of the public and hard-pressed taxpayers.

The Bill is a further example of the Government's arrogance. It is a further increase in taxes on motor vehicles from a Government made up of Fianna Fáil and the Progressive Democrats which promised not to increase these taxes in order to encourage more people to use public transport. It has further lost the trust and confidence of the electorate by failing to honour its many promises.

In addition to taxing motorists to the hilt, the Government has dismally failed to provide a good public transport infrastructure. The Luas project is behind time, the Dublin metro system is still a dream, the rail network is one of the most backward in Europe, including the EU applicant nations, the rural bus network is poor and the rural transport initiative for the elderly is being cut by 40%. I have an Adjournment motion on this issue this evening.

There are enormous overruns in the cost of the M4 Kilcock-Enfield-Kinnegad motorway, from €203 million to almost €300 million, a jump from €78 million to €112 million in plans for the Knock-Claremorris road and a doubling of the cost of the Nenagh-Limerick scheme, to name just a few. In certain other areas there have been considerable overruns also. The Government's transport policy is a shambles and money is being wasted with no accountability or justification. Rather than getting our road and rail infrastructure in order, the Minister for Finance, Deputy McCreevy, the Minister for the Environment, Heritage and Local Government, Deputy Cullen, and the Government are preparing to introduce a carbon tax to raise a further €500 million annually to squander or to prop up the Government's mismanagement and incompetence.

I warn the public to be aware of this mistrustful Government on the carbon tax issue. We in Fine Gael have called on the Government to bring forward guidelines and a Green Paper on the issue, but little has happened to date. Due to this new stealth tax Bill, motorists with one litre cars will have their motor tax increased to €151, while those with 1.4 litre cars will be charged €292 per year with corresponding increases for larger cars — so much for encouraging people to use smaller cars and cut down on energy use. Those are unfair increases for citizens who have had to put up with at least 30 tax increases in other areas and bear the brunt of savage cutbacks in areas such as health, education, housing, social welfare, agriculture, FÁS schemes, youth schemes and so on. I could go on until teatime if time permitted. All of this has happened since the last general election.

The private sector does not have the public interest in mind when it gets involved in infrastructural public private partnerships. I realise they are in the business to make money. If I was in that area of business, I would have the same attitude.

Mr. Brady: I am surprised the Senator is not in it.

Mr. Bannon: Private enterprise will get involved only to make profits. Private sector roads mean more tolls and more rip offs for Irish motorists. There has been a substantial hike in toll bridge charges in recent months, from €1.30 to €1.50. The manner in which the Government sneaked in those increases was very annoying for motorists. When one looks around the country and particularly at this city, it is clear that an enormous amount of public money is wasted and squandered by this incompetent Government.

In rural areas, motorists have had to meet heavy burdens in the past given the amount of damage caused to their cars by poor quality roads. The Minister spoke earlier about the amount of funding being allocated to county roads. It is only a pittance because it will repair only 10% of the roads in need of work. There are shortfalls in each local authority throughout the country for funding for local improvement schemes. I ask the Minister to look at that area urgently.

The public has been misled several times during the past two years by this dishonest Government. The proposed increase in motor taxation hopes to darn another hole in the Minister for Finance's mismanagement of the economy. In the absence of motor tax reform, the Bill is a crude measure of robbing Peter to pay Paul. My party is opposed to the provisions of the Bill and is disgusted at the lies told to our citizens in the run-up to the last general election.

Mr. Brady: God Almighty.

Mr. Bannon: The Bill, if passed, will amount to a tax burden of over €5 billion on Irish motorists. How much more can motorists accept before the burden becomes a political issue?

Mr. McCarthy: Hear, hear.

Mr. Bannon: It will become a political issue.

Mr. Kitt: I welcome the Minister of State to the House and thank him for his explanation of the Bill. The primary purpose of the Bill is to give a legislative basis to the increases in motor tax rates and trade plate licences set out in a financial resolution passed by the Dáil in November 2003. Provision has been made for an increase of 5% across the board. I was pleased to hear the Minister of State repeat what he said on a previous occasion about the local government fund established in January 1999, that all motor tax receipts, including driver licence receipts, are paid into the fund. The fund is supplemented by an Exchequer contribution. It is worth emphasising that the money is ring-fenced exclusively for local authorities and is distributed to them as discretionary grants for day to day spending requirements and grants in respect of expenditure on non-national roads. The Minister of State even told the House it was lodged in a local bank near the Customs House. That was news to me.

Mr. Bannon: The Central Fund.

Mr. Kitt: That shows the beady eyes of the Minister and Minister of State and that they are keeping a close watch on this money.

Mr. Bannon: The Central Fund coffers.

Mr. Kitt: I welcome what the Minister of State said about the new rates of motor tax, the schedule for taxation classes and the motor tax rates for vintage vehicles. The new rates took effect from 1 January 2004. Senator Bannon raised the relevant issue of public transport. I take the opportunity to raise the issue of the rail network. Fr. Micheál MacGréil, former Deputy and Senator, Martin O'Toole, and I have been on a committee for the past 20 years which is trying to get funding for the Collooney-Claremorris railway line, which is really the Sligo-Limerick railway line. I am glad the Minister for Transport, Deputy Brennan, some weeks ago travelled from Tubercurry to Tuam, visiting the railway stations along that line. For a third of the cost of a national primary route, that railway line could be in operation. The Government should at this stage be able to have the section operable from Tuam to Athenry and Galway. It is clearly a commuter area considering the huge traffic jams on the N17 between Tuam and Galway. In fact, the Minister for Community, Rural and Gaeltacht Affairs, Deputy Ó Cuív, referred to surveys which suggest there are more traffic jams on that stretch of road than at any hold-up at Enfield,

[Mr. Kitt.]

Moate or Kinnegad. A significant amount of money is being spent on roads which could be spent on railways.

I am glad the Minister said that funding would be ring-fenced by the Department for this purpose. I also welcome what he said in regard to the national development plan. Some €2.43 billion has been allocated for the non-national road network for the period 2000 to 2006. It is interesting that €1.08 billion is scheduled for the Border, midlands and west region and €1.35 million for the south and east. The BMW region should get more. The Minister of State at the Department of the Environment, Heritage and Local Government, Deputy Noel Ahern, told the Dáil that funding for non-national roads is allocated on the basis of population. However, the situation in the BMW region must be considered in order that extra funding can be obtained, as it is important for the future prosperity and improved social life of the region. I would like to hear the Minister's views in this regard because, as a former representative for Connacht-Ulster, he has pushed hard on behalf of the region.

The increase this year of €34 million in the take from motor tax will provide for improvements to the roads network, and I hope that continues. I am particularly pleased to hear the Minister's remarks on the restoration programme, which accounts for approximately half of State grants for non-national roads each year. Funding is needed in this area. Since 1996, more than €1 billion has been allocated to county councils under the ten year restoration programme and approximately 32,000 kilometres of non-national roads will be improved by the end of this year. In addition, €320 million has been allocated to county councils for maintenance work under the programme since 1996.

The pavement studies to which the Minister referred are also important. A pavement study in 1996 identified that 47,000 kilometres of the non-national roads network was deficient. Extra funding was allocated for this, and the award of the contract to RPS-MCOS Limited for the carrying out of the second pavement conditions study was important. The study is part of the Government commitment to restore the network of regional and county roads to a satisfactory condition in the period 1996 to 2005. Nonetheless, we do not want to waste too much time on studies. We must ensure that funding is available, in particular for the BMW region.

I am glad the Department has in recent years provided discretionary general purpose and other grants. There is a developing forestry industry in my constituency and funding has been obtained in recent years for forestry roads and tourism roads, particularly in west County Galway but also in the east of the county where there are lakes and rivers.

Mr. Kitt: An application will also be made by the Government.

Mr. Bannon: It is made by local authorities.

Mr. Kitt: The Bill provides for smaller tax increases of €7 for cars under 1000cc while the increase is €14 for larger cars of 1300cc to 1400cc — these are not huge sums.

Our primary concern must be safety. Despite horrific recent crashes, the Minister for Transport is making much progress on penalty points. Figures suggest that fatalities on our roads were approximately 600 per year in the mid-1970s whereas this dropped to 330 last year. While this is still a high figure, the number of cars has increased by approximately four times over that period. Safety is a key issue and I urge the Government to continue to work to improve it.

Signage on our roads is also important and I would like the new signs to be introduced quicker. Older signs are being interfered with, leading to confusion and misdirection for drivers. The finger-post sign is the optimum and I hope it will again become available. There have been many complaints about signs on regional and county roads and this problem must be dealt with.

The Minister said an annual report on the local government fund would be presented to the Dáil and Seanad, which is important. It should be made quickly available.

On accountability, it has been suggested that without Deputies and Senators serving on local councils, local authority officials and county managers will not have their work effectively scrutinised. I do not accept this because good councillors are currently serving and more will be elected in June. The Minister and Members should urge our colleagues on county councils, without telling them what to do, to analyse and scrutinise the different policies which come before them. Moreover, in many instances it will be the councillors who decide the policies.

On local government employment, there has not been an increase but a reduction in the numbers employed although an increase has been alleged. However, there has been criticism of the work of retired county managers who, as one Deputy said, turn up on every interview board. It is useful to have a person as experienced as a retired county manager on interview panels and I do not think this is a disease breaking out. While it is difficult to decide who should serve on employment and interview boards, those who have worked in the local government service have done a good job in this regard and I hope they will be recognised as suitable for the work.

I compliment the Minister on his earlier contribution. He has gone well beyond his brief in not only discussing the tax increase but also the increase in the roads fund and the different types of funding which are useful in the area of regional and county roads. It would also be useful to discuss primary and secondary roads, which are the responsibility of the National Roads

Mr. Bannon: That is EU funding.

Authority and the Minister for Transport, Deputy Brennan. I hope the Minister of State at the Department of the Environment, Heritage and Local Government, Deputy Gallagher, will bring to the attention of the Minister for Transport some of the issues raised during this debate. It would be useful if he knew of some of our debates not just on roads, but on public transport generally.

Mr. McCarthy: I welcome the Minister of State. The Minister for the Environment, Heritage and Local Government, Deputy Cullen, is out of the country.

Mr. Brady: He is not.

Mr. McCarthy: That is according to the radio today.

The Bill gives effect to the budgetary increases in motor taxation in December's budget. An increase in motor taxation is no surprise, but it is disappointing that there is no benefit from such an increase, aside from a temporary improvement in the Government's fiscal situation. I accept, as does the vast majority of reasonable people, that we must pay more tax but motorists must see a return on the amount of motor tax, which is becoming very expensive, that they pay. Given the differences in mileage between urban and rural drivers, there is an inequality in the amount of tax each pays and those anomalies should be reflected in how the levies are set. While there are different levels of tax according to the capacity of cars, proportionately some people are paying much more than others. There should be a system in place where there is an obvious benefit in paying that amount of motor tax.

When one sees the number of increases which have been introduced across the board since the general election, it is no surprise that this is another stealth tax. Television licences were increased by 40%, a huge increase by any standard, while VAT increases have also hit people. The way these stealth taxes are affecting households is to push people closer and closer to the poverty trap. Those amounts might not be much to have, but it is a sizeable amount of money to give away when one is on a tight budget.

It would be interesting if the Minister for Transport came to a Seanad debate on transport policy as that area is nothing short of a mess. Every time we hear something it is drip-fed from the media and most announcements are made outside the House. With all due respect, we cannot have a proper debate on transport with the Minister for the Environment, Heritage and Local Government or the Minister of State at that Department. We need the Minister of Transport in the House for such a debate.

Motorists should have value for the money they pay in motor taxation. For example, although road safety is a huge element of driving now, in the past many motorists were not fully

cognisant of their actions on the road. It is sad that some people still have not got the message on road safety. After the introduction of the penalty points system we expected a consistent decline in road offences, but, unfortunately, that is not the case. Road deaths for the first part of this year have increased in comparison to the same period last year, which is very sad. Some people still have not got the message and are still speeding, overtaking dangerously and neglecting to wear their seat belts. That results in loss of life and very few of us have not been affected by road traffic accidents. It is absolutely heart-rending to see a family ripped apart by road carnage.

This weekend I will attend an anniversary mass for a friend of mine who lost his life two years ago. My first cousin was killed 14 years ago in a road accident and another friend died a number of years ago in similar circumstances. One wonders what type of system should be in place to make people aware of the imminent dangers on the roads and the amount of revenue accrued in motor taxation that could be reinvested in road safety. That would give motorists some satisfaction because they would see where some of that money was going, particularly as the vast majority of them are paying exorbitant rates of motor tax.

Cork County Council is the licensing authority for vehicles in Cork city and county and, as one would expect, the council gathers a handsome amount of money every year. Not one cent is retained in Cork city or county because it all goes to the Exchequer. When I was on the council we had this argument every year during the estimates, or the budget as it is known now. There is no financial autonomy for local authorities but a good way to begin it would be to allow them to retain some if not all the revenue they accrue in their administrative areas from motor taxation. The amount of money involved is substantial and given that local authorities are cash-strapped, not least due to benchmarking, it would be a good way to address this anomaly.

Verge-cutting is another example of how cash-strapped my local authority is, which might sound like an issue someone wants to raise to get on a bandwagon. However, it is a huge issue in many areas. Last year the verge-cutting machines were not out, which created employment and financial difficulties for those who own the machines. One company invested a large amount of money in designing machines that would be quicker and more cost-effective, but very few of them left the yard last year. As a result, people lost seasonal employment and one individual was threatened by the bank.

The other side of this is that tertiary roads, which can be difficult to traverse at the best of times, became quite dangerous. The old adage that the briars were shaking hands in the middle of the road was almost true in some cases and that is very dangerous. We cannot be serious about safety unless we tackle issues like this constructively. This situation arose because the

[Mr. McCarthy.]

council had no choice but to scale down services and this was one of the main areas that was cut.

I am aware that the local and European elections are taking place in June, as is every Member. I wrote to the Minister for the Environment, Heritage and Local Government on this issue last year as it is crucial both for safety and for areas which depend on tourism. The Mizen peninsula, which attracts an inordinate number of tourists, has very narrow roadways and if one wants to take the Dursey cable car, for example, one must traverse narrow roads.

My letter asked a question which was quite clear, namely, what the situation was for 2004. The reply stated that Cork County Council had a discretionary fund of €33 million this year but I am still waiting for information on how much of that fund can be used for verge-cutting. Obviously, the council had that discretionary fund last year but was unable to find money for this worthwhile project.

Senator Bannon touched on the local improvement scheme, which is a perfectly good idea. It is a very good system whereby neighbours whose road is in a bad state of disrepair can make submissions to the local authority. An engineer provides costings and the work is done through the local improvement scheme. That is a worthwhile idea but in five years on the council, I only saw one of those projects, which had been going on since the mid-1970s. As we speak this stretch of road is almost finished but my predecessor was elected to Cork County Council in 1974 and he took the issue up on his election. His predecessor joined the council many years before that and he also pursued the matter in the 1970s. It lasted from the 1970s through the 1980s, 1990s and the new millennium and eventually the road has been completed.

The situation is simple. The budget allocation for local improvement schemes is far from appropriate. The allocation for my electoral area is approximately €150,000. There are many applications to avail of the funding to repair roads, but some of those individual jobs could use the entire allocation and still not be completed. What seems a perfectly good idea is only a good idea if real and significant funding is provided by the Department to local authorities to allow them to implement these schemes. It is frustrating when people come to me about the state of the roads. I discover the background to the issue and, when I speak to the engineer about it, I am told the only option available is the LIS. It is embarrassing to say the least because it is a perfectly good scheme if the money was allocated to it.

The move from miles per hour to kilometres per hour on signage needs to be debated at length by the Minister for Transport and other interested parties. This is a huge issue which will cause much confusion. Some of these bendy, windy tertiary roads with bad surfaces, to which

I referred, have the same speed limit as, for instance, the N71 in Cork and Kerry, which is crazy and a huge imbalance. If we are to convert to kph, which is probably a sign of the way in which society has moved and which is not necessarily good or bad, it will lead to confusion. Situations will arise in which people who have been caught speeding will try to convince the garda that he or she was looking at the speedometer, attempting to convert miles per hour into kilometres per hour and other such baloney. This is a huge issue and before there is any confusion it needs to be debated so we know the system. For example, who will implement it? Local authorities will not be sufficiently resourced to change signage in their particular administrative areas from mph to kph. I do not think it is possible.

There is a legal aspect to when this can be done, whether at night, in the morning or at weekends. I assume outside contractors will be employed. Whatever the case is in this regard, the issue needs to be debated now because it has a direct effect on road safety.

One can talk about finger signposting all one wants, seek money from the engineers and so on. An interesting case involves one of the divisions of Cork County Council which has had to replace signs in a particular area in County Cork year after year and has reached the stage at which it cannot do it anymore. The area in question is the Michael Collins memorial. On every approach road to Béal na Bláth, these signs are erected to point people in the direction of the memorial. However, every year, someone who works in a bar in Boston or New York comes home and a sign is taken. The next time one finds one's self in the Shamrock Bar in Boston, one will see a sign on the wall which reads "Michael Collins Memorial — 5 kms". We cannot attempt to legislate for that element. Nonetheless, it should be a consideration.

We have made huge improvements to the condition of our roads in recent years. It is wonderful to be able to get in one's car and drive to Dublin, use the Kildare bypass and avoid the traffic black spot in good time without hitting the normal stress levels one reaches if one is stuck there at 9.30 a.m. Huge improvements have been made such as the Lee tunnel, which is one of the finest pieces of infrastructural engineering designs in the country and possibly in the UK. However, other issues need to be addressed. For example, tertiary roads are still a difficulty, about which I have made a case.

I would like to bring the Minister of State's attention to the R586, which is the main artery connecting Bandon to the other west Cork towns and villages of Enniskeane, Ballineen, Dunmanway, Drimoleague, Bantry, Glengarriff and Castletownbere. Huge amounts of money have been spent on the Castletownbere route, which is a credit to all those associated with it. However, until the very bad road from Bandon to Dunmanway is upgraded it will hinder the

employment potential and economic progress of west Cork. It is sad to see the main artery into an area, which depends so much on farming, aquaculture, fishing and tourism, full of bends. There is a continuous white line for most of that road. It is a huge issue in that area. Cork County Council's western committee submitted a proposal to the Department of the Environment, Heritage and Local Government last year in regard to this section of road. It requested funding to upgrade the road. It is not necessarily an upgrade of status but certainly one which could involve the construction of two carriageways in one direction in places, the removal of ditches and rocks and the provision of a modern standard of roadway for the area which would be good for the economic progress of the region as well as for safety. I am interested to hear the Minister of State's reply in that regard.

Mr. Brennan: I wish to share time with Senators Brady and Mansergh.

Acting Chairman (Labhrás Ó Murchú): Is that agreed? Agreed.

Mr. Brennan: I welcome the Minister of State and his address to the House which covered the vast amount of funding under the roadworks schemes.

In regard to the proposed increases in motor taxation, it must be acknowledged that the funding has been ring fenced for non-national roads, which is very important. Some €277 million has been allocated for that purpose this year. We must also realise the contributions of local authorities throughout the country working with the Department of the Environment, Heritage and Local Government, particularly on lower categories of roads. The non-national roads network is very important to the population and it is vital we allocate sufficient funding to maintain those roads.

I am happy with the Minister's commitment to allocate extra funding in the next ten years. The roads study is also important because it is essential to evaluate the value for money aspect of the work carried out in the past seven years, during which funding has been increased by 122%. We can identify the roads in need of attention. Certain categories of county roads are well maintained but lower category roads which serve low population densities are losing out. It is important they get a fair crack at the whip.

It is important that safety is number one, particularly in regard to the review of speed limits. I agree with Senator McCarthy that more thought will have to go into the introduction of speed limit signs in order for them to be legally acceptable. We must also examine the reduction of speed limits where the condition of roads plays an important role.

I welcome the additional funding for the coming year and wish the Bill every success.

Mr. Brady: I welcome the Minister of State. He has given greatly of his time in the past few weeks, which is appreciated by Members. I agree with Senator McCarthy that people do not like having to pay extra charges, particularly motorists, as most of us are these days. When the local government fund as established in 1999, it was specifically ring-fenced to subsidise local authorities, specifically for non-national roads and the day-to-day spending requirements of the authorities. The fund has increased greatly since then and in 2004 will amount to €1.148 billion. That is a massive increase. This is as a result of a commitment given by this and previous Governments to improving a number of aspects of life.

The money spent by local authorities affects every aspect of our lives. The operations of local authorities include the maintenance and development of the non-national road network, the management of the planning system, the upkeep of social housing, the operation and maintenance of public water and sewerage systems, waste management, the care of the natural environment, running fire services and community development — that is only a short list.

I looked at my area in Dublin and was amazed at the amount of facilities and services Dublin City Council provides. There are 1,400 hectares of parks and open spaces comprising 35 major parks and 760 public open spaces. This year, which is the year of sport and education, we have 36 playgrounds, 170 tennis courts, 265 playing pitches, basketball courts, sports halls and swimming pools. Those services are all provided as a result of the fund, and they affect every facet of our lives.

Last year, 99,956 fire and ambulance calls were responded to in Dublin city alone. The 5% increase in motor vehicle tax will work out as 27 cent for most drivers, and, given that more than 60% of our cars will fall into the lower category, it is good value for money. The Minister of State, Deputy Gallagher, pointed that out in his speech.

Mr. Bannon: It is 3.2% above the rate of inflation.

Mr. Brady: When I drive around the country, I am amazed at the changes in the non-national roads that have occurred over the past six to seven years. We have heard from commentators over the years that not enough was done and that certain areas of the country were being ignored, but the change is country wide.

I looked back over the speeches of the Minister for the Environment, Heritage and Local Government, Deputy Cullen. He said: "The flyover has replaced the pothole as a symbol of Irish roads." That is a direct result of the investment that has taken place.

The only statistics available for the volume of cars on the road are up to 2002. In 1985, there were 914,758 licensed cars on the road and in

[Mr. Brady.]

2002, there were 1.85 million. We had 2.1 million licensed drivers. That is a massive increase, and the investment must be continued to maintain that. The 5% increase will assist with that and I, therefore, welcome the Bill.

I would like to share my time with Senator Mansergh.

Acting Chairman: Is Senator Mooney sharing with Senator Brady?

Mr. Mooney: Yes. I am grateful not only to Senator Brady but also to Senator Mansergh. That my daughter and some of the students from my local school in Drumshanbo are in the Visitors Gallery might have some bearing on the fact that I am able to make a speech at this time.

I welcome the Minister of State, who knows Drumshanbo vocational school well, as he was there in another capacity in the past few months when he presented the green flag award to the school. I congratulate the school on that award.

Mr. Bannon: Is Senator Mooney apologising to the school students for the division of Leitrim?

Mr. Mooney: Indeed. They are here on a lobby to ensure that the county will not be divided. Who better to do that than members of the young generation from Roscommon and Leitrim who are present?

I am pleased indeed that the Minister of State has announced that a review is under way. He will be aware from his time as a Member of the European Parliament that a regional approach to the standardisation of road surfaces and networks is lacking. I refer particularly to the manner in which money is spent.

The Minister of State and those of us from the Border counties are familiar with the INTERREG IIIA programme, which has been of tremendous benefit, especially in Leitrim. I know I am being parochial, but I praise the outstanding work of the engineering staff of Leitrim County Council, who have ensured that, despite the fact that Leitrim is the smallest county and that attempts are being made to split it in two, I can stand on the statement that we have one of the finest non-national road networks in the country. As anybody who goes into the county will testify, practically all of our non-national regional roads, as they are now called, are black-topped. Sadly, that is not the case in the neighbouring counties, and I wonder why. Is it to do with funding, prioritisation or a lack of co-ordination between the various engineering staffs in the surrounding counties? I state, not as a criticism but as an observation, that it is possible to notice a change in the road surfaces when one goes into the counties that surround Leitrim, which I will not name and shame. The road surfaces go from black-topping into chips, for example. I wonder whether the Minister of State might have some comment to make on that.

My second point relates to the ongoing arguments and criticisms concerning the alleged shortfall in the BMW region. It has become something of a canard now; it is a political football that has been kicked around by non-Government people although I do not include Senator Bannon in that. The lead-up to the European elections is an opportune time for the Minister of State to nail that canard. There is no shortfall in the sense that some have alleged — that the Government is somehow neglecting the west and north-west of Ireland. In his speech, the Minister of State referred to the expenditure in that region, and his reply to the debate might be an opportunity for him to nail the allegation.

The ring-fencing of motor tax revenue is one of the best initiatives any Government has introduced since the foundation of the State. For years and years, we kept hearing about that money going into a Government black hole, and since 1997, as Senator Brady described in positive detail, marvellous benefits have accrued from ring-fencing that money, which increases yearly and is unquestionably proving to be beneficial to local authorities.

Dr. Mansergh: As Fianna Fáil finance spokesperson, I welcome the Bill. The 5% increase in motor vehicle tax was included in the budget and is moderate. I can remember discussions in the tax strategy group apropos of green taxation in which there would have been advocates for a much a greater increase.

Motor tax is a highly progressive system of taxation. The poorest in our society do not own cars and therefore do not pay the tax. Someone who has a small car pays a small amount of tax. Anyone who has a car of more than 3001cc is unlikely to be in the social welfare system unless he or she is the sort of person in whom the Criminal Assets Bureau takes an interest.

Senator Bannon referred to many things that need to be done. It is necessary to raise tax and raise revenue, but the real point——

Mr. Bannon: We cannot fleece the motorists.

Acting Chairman: Allow Senator Mansergh to continue, without interruption.

Dr. Mansergh: The real point about the budget, including increases such as the 5% on motor vehicle tax and various other charges that have been mentioned, is how little, not how much, was added to the tax burden. The Opposition has been trying to sell the argument of stealth taxes, but that is a phrase that has been brought in from another jurisdiction.

Mr. Bannon: Senator Mansergh has supported the fleecing of the motorists.

Dr. Mansergh: The real achievement of the budget was that there was negligible increase in taxes. There is every sign that the people appreciate that and, what is more, as we can see

from yesterday's figures, revenue is clearly buoyant.

On the source of the problem on non-national roads, we came from a base in the 1950s, 1960s and 1970s of many non-national roads not being tarred at all, which I remember from my childhood. They were tarred, and many improvements were made, but then policy shifted, particularly in the 1980s, to concentrating only on national roads.

The bible of the Fine Gael-Labour Government in the mid-1980s, *Building on Reality*, states that approximately €210 million was spent on roads, in addition to some local authority resources. This was to be spent almost entirely on the national road network. As a consequence, from the mid-1980s and for several years afterwards, non-national roads were severely neglected. I heard moving pleas about the western railway. The same document indicated there would be a sharp cutback in railway investment. In fact, it stated there would be no investment in railways.

Obviously the country had very few resources compared to today. I calculated that approximately €210 million was spent on roads in 1986, plus some money from local authorities. Today €1,900 million is spent on roads, including approximately €1,200 million on national roads and an extra €700 million on other roads. It is a transformation. In my area, potholes which started to appear in January and February have now been filled in over a stretch of approximately five miles of country road.

As Senator Mooney and others stated, it was a transformation of local government to have a ring-fenced fund — in European terms it is referred to as “own resources” — and a reasonably buoyant form of “own resources” connected to the degree of buoyancy in the economy. If the economic signs we are witnessing are correct, there will be a bit of buoyancy in the fund this year. I accept it is the duty of the Opposition to play devil's advocate, but we should not crib about a minimal increase of 5%. One can argue that some aspects of motoring are quite heavily taxed here compared to other countries. However, that is not true of petrol and diesel *vis-à-vis* the North of Ireland, Britain and many other European countries. On the other hand, we have a lot of congestion which the road investment programme is trying to improve. It is difficult to make the case at this time, leaving aside the Government's need for revenue, that we should substantially cut motor taxation because our roads are barely able to cope with the current traffic levels, and we must bear in mind commitments such as those under Kyoto.

Senator Bannon is always strong in his opposition. However, the opposition has been very measured, particularly from Senator McCarthy. This is an entirely reasonable and non-controversial Bill but I understand the Opposition must do its duty.

Mr. P. Burke: I welcome the opportunity to say a few words on the Bill. While 5% does not appear a huge increase, when added to the other 5% increases across the board, it amounts to a large amount of money for people throughout the country.

Tax on the majority of cars nowadays costs from €500 or €600 to almost €1,000. This is a fairly hefty sum of money, particularly if one has to pay it all at once. In most cases, tax and insurance fall due at the same time, therefore, there should be some system of easy payment in place whereby people could pay their tax over a ten month or 12 month period. People should be able to ring up, give their credit card number and the local authority should be able to deduct the necessary charge over the telephone. Given the technology available in this day and age, these facilities should be in place. One can now buy goods on line by way of credit card from all over the world. Local authorities should be able to operate an easy pay system on a nine month, ten month or 12 month basis. Insurance companies operate this type of system whereby repayments on loans are spread over a nine or ten month period.

The BMW region was referred to. I have been seeking a debate in this Chamber on how funding to the BMW region has been allocated since it was put in place. I believe strongly that the region is not getting its fair share of funding and I ask the Minister of State to look again at the issue. The Minister of State at the Department of Transport, Deputy McDaid, acknowledged during Private Members' business that there is no funding in place, bar a minimum amount for mapping and so on, for the road from Castlebar to Westport, the busiest stretch of national primary route from Westport to Kinnegad. He acknowledged that funding will not become available for these roads until the bigger projects in Dublin such as Luas and the Dublin Port tunnel are completed. We have heard on numerous occasions that there will be a new rail track from Dublin Airport to Dublin city. If this goes ahead it will delay further projects in the BMW region, the west of Ireland and the rural areas. If the bigger projects go ahead first, there is no hope for the other regions. I ask the Minister of State present, who was an MEP for the area and knows exactly what I am talking about, to reconsider this issue.

I am concerned about signposting, even though this issue may not come within the Minister of State's remit. The traffic corps now monitors speed on a daily basis. If one leaves Dublin and drives along the western route, one will see 60 mph, 70 mph, 40 mph, 30 mph and 50 mph speed limits. There is no consistent speed limit. In many instances people do not know what the speed limit is in a particular area, and something should be done about this. The 60 mph and 70 mph speed limit should be increased in some instances. There is no reason the speed limit on the Mullingar by-pass, which is a brand new road,

[Mr. P. Burke.]

cannot be increased from 60 mph to 70 mph. The speed limit on another section of the national primary route between Dublin to Naas is 40 mph and 60 mph. If the National Roads Authority and the Department of Transport are building brand new roads on which the speed limit is 60 mph, then there is something radically wrong. In most cases there is no access onto the roads, and if the maximum speed limit is not increased on these stretches of road, then we are going nowhere.

There is a need for a radical overhaul of the speed limits throughout the country. I know the Minister for Transport indicated that he would like to see that undertaken. There are country roads where the maximum speed of 60 mph applies, which is too fast. There should perhaps be 40 mph or 50 mph zones in those areas. I ask the Minister of State to consider that suggestion.

We should also bring in a better signposting system for towns and other areas. When driving through most towns *en route* to somewhere else, proper signage is very scarce. A national signage overhaul is due. The main points of destination should be better signposted. I welcome the opportunity to raise these points and I ask the Minister to consider them.

Mr. Moylan: I welcome the Minister of State to the House. I thank him, his Department officials and the Minister for the Environment, Heritage and Local Government for the work and improvements on our non-national roads. I came through the county council system and served for many years on a county council. Having listened to some of today's contributions, I wondered if I was in the same county or country, or driving the same roads.

I look at the situation as a county council member. Not very many years ago, before the system was changed so that motor tax goes solely to the local authorities for the purpose of improving road surfaces, I recall that the surface dressing rate in my county was once every 65 years. Had we continued with such a situation, I wonder where we might now be. We now see excellent road surfaces being applied. Great value is got for the money spent. We should consider the blacktop, the surface dressing, the improvements in roads and in bridges and culverts on those roads, as well as the removal of bends. Years ago we did not have a hope of doing anything like that. I recall in the past putting notices of motion to the council and questions to the country engineer and getting replies to the effect that, unfortunately, because of financial constraints, they could do nothing in that regard. That is not the current situation. We have improved our road structure substantially. I compliment the Minister and the Department in that regard.

One must have annual tax increases if one wants to keep up and make improvements. The motor tax income is the only fund over which local authority members have a real say in

deciding how it is spent in their own counties. They can make the decisions and see the improvements. When one looks at increases averaging over 17% annually to the local authorities, with inflation at less than 5%, even at 2%, 3% or 4%, there have been improvements, which we welcome.

As Senator Burke suggested, one can talk to local authorities about signposting. I am aware that the Department is making major changes regarding the display of speed limits in kilometres rather than miles. It is difficult to ask a local authority to begin spending money and changing signs when many of those signs are already due to change later this year. We will improve the signposting of our towns and villages, in particular the advance signposting of junctions, because of the level of traffic on the roads and the traffic that is likely to turn into minor roads.

Regarding the Bill before us, the moneys given by the Department to local authorities constitute the best move made by the Department during my time as an Offaly County Council member. I spent 27 years as a councillor there and saw good, middling and very bad days. As I noted, there was a time when we were not able to fill the potholes. I remember a former Deputy from Laois-Offaly talking about us moving around with our kettle of tar. That is all we had. Now we look at the modern plant and machinery we have for surface dressing. We see how much work we can get through when the weather is suitable. We also note the training the Department and local authorities have given to their workforce to enable them to get the maximum value out of the money that is available. I foresee local authorities getting even better value. More of the work may perhaps be done by private enterprise because at certain times of the year one can get much more work done by private enterprise, so that one is not then depending on one's own maintenance staff to do that work when they are required for other pressing local authority work.

I welcome the Bill. I compliment the Minister of State and his Department. There have been substantial improvements around the country, particularly in the midlands from where I come, and we are very happy with what has happened.

Minister of State at the Department of the Environment, Heritage and Local Government

(Mr. Gallagher): I thank all the Senators who contributed to this important debate. Like all of them, I am glad when the issue of local government is subjected in most cases to detailed and rigorous debate and examination. Local government is a key element of our democratic system and it is important to keep it at the centre of the political agenda.

The contributions were wide-ranging and covered many of the functions of local authorities. This is appropriate, having regard to the purpose of the Bill, which is essentially about funding local authorities. References were made to other taxes but my brief is in the Department

of the Environment, Heritage and Local Government and we are pleased and proud that, during our term in Government, we have established record levels of funding. This is in sharp contrast to the level of funding available in the mid-1980s, which Senator Mansergh referred to when he mentioned the Building on Reality programme.

A reference was made to the Minister not being in the House. That is not important. The Minister has other duties and functions. He is in the country. I am dealing with the Motor Vehicles (Duties and Licences) Bill on behalf of the Department and it is no reflection on the House that the Minister is not here. It was important that the Minister was there while we were negotiating with the Department of Finance regarding the additional Exchequer funding. As Senators are aware, the funding for the non-national roads does not all come from the local government fund. There was additional funding from the Exchequer. It was important we were there when that was being decided.

I am pleased that Senator Mansergh and Senator Moylan referred to the mid-1980s. I had the honour of being chairman of Donegal County Council in 1985-6 at a time when there was a fund of about £210 million nationally for roads, both national and local. I always recall the proposal made in the summer of 1986 that we should abandon half the roads in Donegal and simply try to maintain the remainder. We have come a long way from that situation. Senator Bannon is perhaps fortunate that the Minister is not in the House because he might have a better memory than me. There is no point saying we do not look back. The commitment I mentioned was the one given at the time.

I will also deal with Objective One status and with the BMW region issue. The Fianna Fáil Party negotiated Objective One and got no assistance from the other side of the House at the time. I was standing for election to the European Parliament and it was very much a part of my election manifesto at that time. The outcome was thanks to the Taoiseach, Deputy Bertie Ahern, leader of the Fianna Fáil Party at that time, who, in commemorating the 1400th anniversary of the death of St. Columcille, in Gartan in the middle of Donegal, gave a commitment while in Opposition. More importantly, he followed through on that commitment to ensure that there was, and continues to be, positive discrimination in the BMW region. I will deal with the amounts as we progress.

As I said, the primary consideration in making the decision to increase motor tax rates was the need to provide adequate funding for the non-national roads programme, important roads throughout the country. In this regard, and because it is central to the debate, I reiterate that the extra revenue generated by the increases in motor tax estimated at €34 million will be spent on non-national roads. Every last cent of the increases

will be spent on these roads. In the 1980s, it was recommended not only in Donegal, but, I am sure, in other parts of the country that half the roads should be abandoned, but that is not our policy. Rural Ireland and regional development are very much part of our policy. Over the years, as Senator Mansergh said, the sum has increased to almost €1.8 billion. We would like to think regional roads will get additional funding but they receive a fair and equitable share now. We will maintain that momentum and progress in the years ahead despite some pressures on the public finances. In 2004, there have been increases in the level of funding for the non-national road network which has brought it to new heights. This year the Government will invest €4,610 on every kilometre of non-national road in every county. This is 10% more than last year and more than double the 1997 figure.

On a general note, I refer to the local government fund into which motor tax receipts are paid. There have been substantial improvements in the overall funding of local authorities. I wish to send a clear message to local authorities. We should have the policy and philosophy of helping those who are prepared to help themselves. We are looking closely at local authorities' own resources. The €477 million is provided by the Exchequer and the local government fund. This year local authorities will provide €150 million from their own resources. It is a major contribution but one must remember that the funding from the local government fund and the Exchequer supplements their own resources. It is a factor which may be taken into consideration next year when we are allocating funds. There can be shortfalls. There are counties, however, that religiously and progressively increase their contributions, but that is a debate for another day. We will write to each local authority indicating our intentions as far as 2005 is concerned.

The 2004 general purpose allocation of €752 million, to which I referred, represents an increase of 14% over the 2003 allocation and 122% more than the corresponding allocation in 1997. We made that allocation because we realised the pressure local authorities were under in regard to benchmarking. This was one of the primary objectives of increasing the fund substantially this year and we are all aware of the parallel benchmarking in regard to roads.

The current system of funding has served local authorities well. However, with a view to further reform and improvement in the system, the House will be interested to know that the Minister, Deputy Cullen, recently commissioned a major investment review of the whole area of local government funding to meet the challenges. We hope to have a report by August of this year. It will look back to see if we got value for money. The results will form an important part in prioritising investment in the non-national road network over the coming years and in ensuring value for money. On completion of that study,

[Mr. Gallagher.]

local authorities will be asked to examine and submit revised multi-annual restoration programmes for 2005 onwards. Undertaking this important study may be costly, but it is well worthwhile. The consultants will review best international practice and interested parties will be given an opportunity to make their views known. It is estimated that the study will take approximately one year to complete and we all look forward to the outcome.

In addition to the €477 million available from the local government fund and the Exchequer, last week I, in conjunction with the Minister for Community, Rural and Gaeltacht Affairs, Deputy Ó Cuív, announced funding of €6 million — an increase on €4 million — for the CLÁR area. I do not need to define for the House the reason for establishing such an area given the decline from 1926 to 1996. Much reference was made to class two and class three roads, the tertiary roads, and it was said that they are ignored. This year we advised local authorities that the funding of €6 million is for class two and class three roads. Each county is aware of that and it brings me to Senator McCarthy's point about these roads. I understand Cork will receive an additional €0.5 million. This funding is provided on a fair and equitable basis, namely, on the basis of population. Cork will receive €576 million while Longford, because of its population and the CLÁR area, will receive €154 million. It is a substantial amount. It is a new initiative and I hope we will be able to continue it.

While it is not relevant to this debate, I take the opportunity to respond to the development charges issue raised by Senator Bannon. I think I am quoting him correctly that he said we are forcing councillors and local authorities. We are not forcing them; it is a matter for the local authorities. Having listened to Senator Bannon, one would get the impression there were never development charges. However, development charges have been in place since their introduction in 1964. These charges pay for local authority infrastructure which is necessary to facilitate new development. Over the years, there was widespread inconsistency in their application. The Planning and Development Act 2000 merely introduced new provisions requiring local authorities to prepare schemes on how development contributions would apply in their areas. It is a matter for each local authority. If local authorities decide there will be no development charges, it is a matter for them but they will have to explain to their constituents why they cannot draw down additional funding, which will be because they are not prepared to levy charges. To put paid to that issue, they are not being forced and development charges have been in place since 1964. I hope most local authorities have these in place by the deadline——

Mr. Bannon: Fianna Fáil councillors are telling people they are being forced on them.

An Leas-Chathaoirleach: The Minister of State to continue.

Mr. Gallagher: We cannot all be responsible for what our colleagues may say. The Senator's leader says he favours Internet voting, but the Senator does not. I am not critical of him. Ours is a broadly based party and we are not into hacking. The Senator's party leader obviously is and he must know more than I do. He is prepared to bring in Internet voting and to have it in the supermarkets.

Mr. Bannon: We need a trustworthy system and not what is being concocted by Fianna Fáil, the Progressive Democrats and the Minister in regard to e-voting. The public does not trust them on the issue.

Mr. Gallagher: I rest my case. We need a trustworthy system——

Mr. Bannon: I agree.

Mr. Gallagher: ——and not the type of system the Senator's party recommends. We will leave it at that. Ours is a broadly based party and we are entitled to express views at all levels. We are not finished with the expenditure. We gave €6 million this week and I look forward in the next few weeks to making another announcement which may not be welcomed by Senator Bannon's party. Senator McCarthy's contribution was measured and realistic, and I appreciate that. The problem with Fine Gael is the sharp contrast between the mid-1980s and the mid-1990s and the high level of investment which is difficult for it to stomach. The answer, therefore, is not to concentrate on the debate before us today but on another one. They say in Irish — tá an fhirinne searbh. It will be more searbh because we will announce a record €12 million for local authority schemes over 2004, an increase of 10% on last year.

Mr. Bannon: The Minister of State is fleecing motorists to pay for e-voting. The reality is that what he will take in as a result of this Bill will be less than half what e-voting will cost.

Mr. Gallagher: I remind the House that 60% of the national fleet comprises cars whose engines are less than 1400cc. An increase of up to 1000cc would amount to €7 per year, while 1400cc would be in the region of €14, which is not fleecing. When motorists see tangible evidence of improvements in the road system, they will be prepared to make that small contribution.

Mr. Bannon: The Minister of State should look at the wastage throughout the city, to which I referred in my speech. He did not answer that point.

An Leas-Chathaoirleach: The Minister of State without interruption.

Mr. Gallagher: A number of Senators referred to signage. The programme for Government commits the Department to an expenditure of €25 million on non-national roads signage, over the five-year period of the Government, which is almost €5.1 million per year. I will not go into the details concerning the various counties because we cannot do them all in one year, but they will be done over a period. We are working closely with the Department of Transport, the National Roads Authority, and Roinn Gnóthaí Pobail, Tuaithe agus Gaeltachta to ensure that when the new signs are erected Irish will be given equal prominence. It may cause confusion at times but, by the same token, we cannot forget our Irishness.

Mr. Bannon: The Minister of State forgot our heritage in the European Elections (Amendment) Bill.

Mr. Gallagher: The annual report will be laid before both Houses. I will convey Senator Kitt's views to my colleagues, the Minister for Transport, Deputy Brennan, and the Minister of State, Deputy McDaid, concerning the Sligo-Limerick proposal. In order to familiarise himself with that issue, the Minister spent a day examining the Killarney-Claremorris proposal, which incorporates Tuam, Athenry and Galway. Overall, however, the Galway-Limerick route is a matter to which the Minister will respond.

It is worth reiterating my comments about the BMW region. Senator Bannon is a rural Senator for whom I have great respect, as I do for all his colleagues in the west. However, when my party in the last Government wanted to regionalise the country we did so, but for some particular reason no support was forthcoming at that time from Fine Gael.

Mr. Bannon: That is nonsense.

Mr. Gallagher: It is not nonsense. It is a fact.

Mr. Bannon: It is nonsense. The Minister of State is talking from both sides of his mouth.

Mr. Gallagher: I defy anyone in Fine Gael to confirm that the party was in favour of the regionalisation of the country — in other words, positive discrimination for the Border, midlands and west region. We delivered on that with expenditure reaching €2.3 billion. In both the BMW and south east regions, we are well ahead of our projections and profiles. Actual expenditure for the BMW region last year was €960 million compared to a profiled figure of €622 million. That is almost €70 million, or 11%, ahead of what was profiled for the area. Actual expenditure for the south east region last year was €930 million compared to a profiled expenditure of €787 million. That expenditure is

way ahead of the profiles and it reflects our commitment.

Mr. Bannon: We are being short-changed. Look at what we received from the National Roads Authority compared to the rest of the country.

An Leas-Chathaoirleach: The Minister of State without interruption.

Mr. Bannon: Look at the condition of the road from Longford to Westport.

Mr. Gallagher: If we were depending on Senator Bannon's policies, including positive discrimination, there would be very little going into the west.

The signage changeover from miles to kilometres is a matter for the Department of Transport, with which we are working closely. All the funding is being ring-fenced. We will see tremendous progress in the coming years. I look forward to the report from the consultants, which will help us in the Department. It will also help local authorities to prepare a revised multi-annual programme. Senator Mansergh described it as a progressive tax and it certainly is. It represents a reasonable increase of 5%. Senator Moylan said it was sensible to have an increase each year. While there may have been an increase of 12% last year, there was no increase in the preceding year.

I am pleased to present the Bill to the House. I am also happy to respond to the issues that have been raised by Senators. More importantly, I am proud of our record in Government and I look forward to substantial improvements in the years ahead. Hopefully, we will never return to the Building on Reality proposals of the mid-1980s. My memory is good enough to recall who was in Government then. It was almost a case of building on quicksand at that time and we did not even have sand to fill the potholes.

Mr. B. Hayes: Building on Reality sounds like an election speech.

Mr. Gallagher: It was, although the Senator may be too young to remember it. I suggest to Senator Brian Hayes that he should not get too involved. I wish to thank everybody who contributed to the debate. I have great respect for Senator Bannon and I know he has to make the case, ach tá an fhírinne searbh agus táimid iontach bródúil as an Rialtas agus an Rialtas roimhe as ucht an fheiste atá curtha ar fáil do na bóithre náisiúnta agus go háirithe na bóithre eile. Tá siúl agam go mbeidh an Rialtas flaithiúil arís an bliain seo chugainn. Tá na mílte bóithre againn, tá an jab á dhéanamh agus tá mé buíoch do gach duine atá ag plé le seo.

Question put.

The Seanad divided: Tá, 31; Níl, 20.

Tá

Bohan, Eddie.
Brady, Cyprian.
Brennan, Michael.
Callanan, Peter.
Cox, Margaret.
Daly, Brendan.
Dardis, John.
Dooley, Timmy.
Feeney, Geraldine.
Fitzgerald, Liam.
Glynn, Camillus.
Hanafin, John.
Kenneally, Brendan.
Kett, Tony.
Kitt, Michael P.
Leyden, Terry.

Lydon, Donal J.
MacSharry, Marc.
Mansergh, Martin.
Minihan, John.
Mooney, Paschal C.
Moylan, Pat.
O'Brien, Francis.
Ó Murchú, Labhrás.
O'Rourke, Mary.
Ormonde, Ann.
Phelan, Kieran.
Scanlon, Eamon.
Walsh, Kate.
White, Mary M.
Wilson, Diarmuid.

Níl

Bannon, James.
Bradford, Paul.
Browne, Fergal.
Burke, Paddy.
Burke, Ulick.
Coghlan, Paul.
Coonan, Noel.
Cummins, Maurice.
Feighan, Frank.
Finucane, Michael.

Hayes, Brian.
Henry, Mary.
Higgins, Jim.
McCarthy, Michael.
McHugh, Joe.
Norris, David.
O'Toole, Joe.
Phelan, John.
Ross, Shane.
Ryan, Brendan.

Tellers: Tá, Senators Minihan and Moylan; Níl, Senators Bannon and McCarthy.

Question declared carried.

Aer Lingus Bill 2003: Second Stage.

Question proposed: "That the Bill be now read a Second Time."

Minister of State at the Department of Transport (Dr. McDaid): The main purpose of this Bill is to give effect to the employee share ownership plan agreed by the Government and Aer Lingus unions and to provide for a legal framework to facilitate a process of external investment in the airline in the event that the Government embarks on such a process. The Bill also includes an enabling provision for the establishment of new pension schemes by Aer Lingus for general employees and pensioners and for amendments on the appointment of directors, including worker directors.

Government policy for the establishment of ESOPs in semi-State companies is that the total amount of equity which an employee share ownership trust can hold is 14.9%, of which up to 5% of equity may be given for organisational transformation and the balance of up to 9.9% must be paid for in cash to the Exchequer. The Government policy envisaged that the full 14.9% is only relevant in certain circumstances, such as when the State is exiting from the company.

Aer Lingus employees already hold shares in the company under the employee share participation scheme, ESPS, which was agreed under the Cahill plan in 1993. This scheme

provided that employees satisfying certain service criteria were entitled to receive the equivalent of 10% of the issued share capital of Aer Lingus as at 31 December 1995 — approximately €30.98 million — earned out of profits, of which 5% was by way of shares and 5% by way of cash. Since the scheme was established in 1996 a total of €15.5 million has been paid to staff in cash and a total of 12.2 million shares in Aer Lingus Group plc, have been allocated to staff. No further shares or cash are due to be allocated or paid under the existing scheme.

Following the Government decision in December 1999 sanctioning an initial public offering of Aer Lingus shares, negotiations commenced on an Aer Lingus ESOP to bring the employees' shares to 14.9%, in line with Government policy. While progress was made on some of the ESOP issues in 2000, negotiations did not conclude, due to a number of external and internal difficulties including industrial relations problems in 2000-1, the deepening economic downturn and the impact of foot and mouth disease, all of which led to the eventual cancellation of the IPO process and to the withdrawal of the Aer Lingus Bill 2000, which had been passed by Seanad Éireann in June 2000.

These events were quickly followed by the terrorist attacks of 11 September 2001 and the consequent devastating global impact. As we all recall, the aviation sector was badly affected. Some airlines did not survive while others are still struggling to recover from the impact. For Aer Lingus, the events of 11 September 2001 greatly

exacerbated an already difficult trading position, with the result that the company was on the brink of bankruptcy in late 2001. Faced with this crisis, the Government decided on 23 October 2001 to facilitate private sector and further staff investment in the company. This was contingent on support by Aer Lingus staff for implementing the survival plan in full.

The survival plan agreed at the time included the reduction of more than 2,000 in staff numbers, a pay freeze, substantial work practice changes and the sale of non-core assets. This plan was the subject of intense negotiations with unions with the assistance of the Labour Court and the Labour Relations Commission. A key element in the acceptance of the plan was the Government's willingness to negotiate an increased staff shareholding. Agreement on a framework for the ESOP was reached in December 2001 following detailed and intensive discussions involving Ministers, union, company management and senior officials from the Departments of the Taoiseach, Finance and Transport. It is clear that the survival of the airline was due to the quick action to cut costs and stem losses, which involved significant change and pain for the staff of the airline. The ESOP is a tangible recognition of that contribution by staff.

I refer again to Government policy on staff shareholdings in State companies. Due to the unique circumstances of Aer Lingus in late 2001 when it was on the verge of bankruptcy, it was decided that on the 9.9% element, the consideration would be the pay foregone element of the survival plan. A judgment was made at the time by Ministers that this was the only course of action to ensure the survival of the company.

During 2002, departmental officials, company management and unions took the basic framework already agreed and together with their advisers negotiated and finalised the necessary legal documentation, culminating in the signing of documents, such as the ESOP deed of covenant and the trust deed, in March 2003. The significant time gap between the agreement on the ESOP framework in December 2001 and the conclusion of the legal documentation in March 2003 was due to a number of factors, including the highly complex nature of ESOPs from a legal, technical and administrative point of view. There was also a delay in commencing negotiations due to the industrial action by pilots in the first half of 2002.

Existing legislation only allows for the distribution of up to 5% of the share capital of Aer Lingus for the benefit of staff. Full implementation of the ESOP, including the issuing of the additional 9.9% shareholding to staff and the appointment of an ESOP director, can only be completed with the enactment of this legislation. The key elements of the agreement on the Aer Lingus ESOP are as follows: an employee share ownership trust, which would hold shares on behalf of the participants will be established with an equity base of up to 14.9%,

including the shares currently held by staff; the existing staff shareholding is open to purchase by the ESOT; payment for the additional 9.9% will be by way of the pay foregone elements of the survival plan; the implementation of the ESOP is subject to verification by the chief executive of Aer Lingus that the relevant elements of the survival plan have been implemented; and the ESOT will be entitled to appoint one director to the board of Aer Lingus with a further director to be appointed by the Minister from nominations submitted by the unions. For as long as the Worker Participation (State Enterprises) Acts apply to the company, the aggregate number of worker directors and ESOT directors cannot exceed four. In line with Government policy, for as long as the State holds any shares in the company, the maximum shareholding which the employee share ownership trust and staff can hold is 14.9%.

As I said earlier, this is a unique employee share ownership plan arrangement made in unique circumstances. At the time the employee share ownership plan framework was agreed, the company was arguably of very little value. Now, however, that stake is worth a very considerable figure according to analysts' valuations which have appeared in media reports during the past months.

Whatever the ultimate value of Aer Lingus, it should be acknowledged that staff now have a valuable stake in a valuable company and all efforts should be focused on strengthening the company financially and operationally in order to increase its competitiveness and potential to exploit profitable growth opportunity in the interests of all stakeholders. I want to make it clear that whatever the future circumstance and policy decisions of Government, the 14.9% will remain the limit of staff shareholding while the State holds any shares in the company.

In a sense, the Bill marks the closing of a very traumatic period in the airline's history. With the enactment of the Bill, the Government will fulfil its commitment on the increased employee shareholding in exchange for full implementation of the survival plan. That survival plan has led to the turn around in the company's finances with the company returning to profitability in 2002, one year ahead of target, with an operating profit of €63.8 million compared to a loss of €52.1 million in 2001. The company will shortly be announcing an operating profit of €78.5 million for 2003. This result was achieved against a tough background in 2003 including the war in Iraq and the SARS scare.

On the operational side and in spite of the difficulties of the past two years, Aer Lingus has introduced services on 16 new routes, all from greater efficiencies in the utilisation of existing aircraft and staff resources. This brings the current number of routes served by Aer Lingus to 42. This year services will be introduced by Aer Lingus on a further nine new European routes. This ability to respond flexibly and rapidly to new

[Dr. McDaid.]

opportunities is a reflection of the developing new culture in the organisation which allows Aer Lingus to compete and grow.

I commend the board, management and staff for their commitment in achieving this remarkable recovery. They have transformed the airline into a lower cost, flexible, efficient business model, offering low fares with a quality service. As a result, the airline is better placed now to withstand competitive pressures, economic and other external shocks which as we know only too well can impact severely on the volatile, cyclical aviation sector.

Indications are that the aviation market is again becoming increasingly difficult as shown by the profit warnings issued by Ryanair in January and the recent demise of Jetmagic. These developments demonstrate the need for Aer Lingus to continue its efforts to cut costs in order to be competitive. In addition, the aviation industry both globally and nationally has changed significantly in the past ten years, particularly in Europe. Further and ongoing change is inevitable and some of this will be driven by developments in the EU-US open skies talks.

It is clear that in this constantly changing and challenging environment, Aer Lingus must have the full range of tools including maximum funding flexibility to plan effectively so that it can profitably develop its brand and respond quickly and effectively to sectoral changes and other pressures and developments. In the light of the continuing turnaround in the company's finances and the continually changing environment, last July, the Minister asked the chairman of Aer Lingus to examine and report back on the future options for the company. The chairman furnished this report to the Minister at a meeting on 16 September 2003. The company's view is that a private sector investment process should be initiated without delay. The Minister also commissioned an independent corporate finance adviser to examine the Aer Lingus report, and in summary he has supported the case made by the chairman in his report.

Let me make it perfectly clear that no decision has been taken by Government on the future of Aer Lingus. The Minister is giving careful consideration to the reports and will be bringing the Aer Lingus view, together with his own position, to Cabinet in the near future. The Minister has stressed on a number of occasions that it would be remiss of him not to look at all the options for the future of the airline, given the nature of the sector and the history of the airline. We cannot forget that this airline has been close to collapse twice in the past ten years and we must ensure that a third crisis does not arise.

It is the Government's wish that Aer Lingus continues to make a significant and valuable contribution to the economic and tourism development of the country. As I said earlier, it can only do this if it can compete successfully, operate profitably and has access to a variety of

funding sources to facilitate growth. The issue for consideration by Government is whether Aer Lingus can do this better in private or public ownership and if there are vital strategic matters which would influence that choice. It is now time, therefore, to examine all the options and provide some certainty to management and staff so that they can concentrate on developing and growing the airline. It is opportune to examine those options now rather than to wait for the next downturn or crisis to force matters to a head.

A key issue to be considered is the Government and EU position on further equity injections into Aer Lingus. The State cannot invest under EU rules when the airline is in crisis and it would be very difficult to justify injecting scarce Exchequer funds into a profitable Aer Lingus when there are many other competing and more deserving priorities which depend on State resources.

I am very aware of the concerns about strategic issues in the context of the State exiting from ownership of Aer Lingus. These concerns relate to the Aer Lingus brand, slots at Heathrow and the commitment of any new owners of Aer Lingus to regional development in Ireland. I wish to assure the House that all these issues will be addressed by the Minister in the context of any recommendations to Government on the future of Aer Lingus.

I now turn to the main provision of the Bill. Section 1 is the definitions section which is self-explanatory. Section 2 and the Schedule provide for the repeal of provisions. Section 3 provides for the sale of some or all of the State's share in the airline. Provision is also made that any funds received in respect of the sale or disposal of the State's shareholding in the company will be paid into and disposed of for the benefit of the Exchequer. The section also provides that the Minister for Finance may not dispose of any shares in the company without the general principles of the disposal being laid before and approved by Dáil Éireann. This restriction will not apply to the issue of shares to employee shareholding scheme as set out in section 7. Section 4 makes provision for Aer Lingus to issue and sell new shares.

The provisions of section 5 allow the Minister for Finance to enter into one or more agreements in connection with the sale of shares in the airline. Such agreements may include provisions customarily contained in a shareholders' or underwriting agreement. To facilitate ESOT board representation and, if necessary, third party board representation, section 6 provides for the full or partial disapplication from the company of the worker participation Acts, the retirement of directors upon such disapplication and the power of the Minister to appoint new directors to fill vacancies so created. The overall number of directors does not change.

Section 7 provides for employee shareholding schemes and their acquisition of shares in the company. Section 8 provides for an exemption

from section 60 of the Companies Act. Section 9 is an enabling provision. It provides that Aer Lingus may establish a superannuation scheme for its employees and former employees. After the legislation is enacted, it will be a matter for Aer Lingus to decide if and when a new pension scheme or schemes will be established. The terms of any scheme or schemes will be a matter for negotiation with unions.

Section 10 is a standard provision which addresses the expenses of the Minister for Finance and the Minister for Transport. Section 11 provides for the repayment to the Exchequer of a loan and outstanding interest by Aerlinter and section 12 provides for the disapplication of certain Acts to Aer Lingus. Section 13 contains the Short Title and commencement provisions. In addition, it provides for the repeal of provisions, in whole or in part and on different days, in the existing legislation governing Aer Lingus. I commend the Bill to the House.

Mr. Browne: I thank the Minister of State for a useful explanatory speech on a complex Bill. While I was an enthusiastic advocate of privatisation before I entered the House, I am lukewarm on the issue having witnessed the Eircom debacle. I have reason to be cautious as we are not being provided with a full picture or a master plan. While the contents of the Minister of State's speech are fine in theory, the real test will be the manner in which the privatisation of Aer Lingus is implemented.

The most significant elements of the Bill are the provisions in sections 3 and 7 which deal with the issue of shares. On later Stages, these are the sections on which we will be focusing our attention. It is worth pointing out that more than 500,000 Eircom shareholders saw the stock market value of their shares fall by over a third. When Eircom is refloated later this year, 120 former managers will become instant millionaires. One cannot blame the public for being cynical about privatisation. I hope the Government has learned from events surrounding the Eircom flotation which obviously have huge implications for the privatisation of Aer Lingus. Eircom management shares alone will be worth nearly €245 million and each manager will receive between €2 million and €2.3 million in share offerings. Against that backdrop, we should proceed with caution.

On the other hand, we must examine and learn from the mistakes made by other State-owned airlines such as Sabena and Swissair. These airlines failed to learn from Aer Lingus and are no longer in existence. I was pleased to hear the Minister of State acknowledge in his speech the huge effort made by Aer Lingus employees over the past 12 years, from the Cahill plan to the 2001-2 survival plan which followed the 11 September 2001 tragedies. Those efforts have continued in the current round of PPF talks. The employees have made huge sacrifices from pay

freezes to less time off work and they should be recognised for having done so.

Fine Gael has a fine record in this area. In 1985, the late Jim Mitchell, the then Minister with responsibility in this area, allowed Ryanair to begin operating. Only for that, we might have no airline in Ireland now. Ireland's difficulty, uniquely within Europe, is that it is an island nation. I hope that in 30 years time, we can look back on the privatisation of Aer Lingus as a job well done rather than as an effort only half-considered in the Government's haste to dispose of a possible burden.

The Minister of State is correct to say the current profitability of Aer Lingus makes this an opportune time to examine the issue. The significant turnaround in the airline's fortunes in the last few years is remarkable. We do not want to find ourselves forced to sell the company in less favourable circumstances if, God forbid, it encounters serious difficulties. It concerns many people that no plan has been suggested for Aer Lingus. While the Minister for Transport, Deputy Brennan, indicated in the Dáil that he would bring forward a discussion document on the sale of Aer Lingus and guaranteed it would have to come before the House for approval, the Government's large majority is grounds for caution. Ultimately, the Government will get its own way. Nevertheless, the commitment to bring the plan forward for discussion is a welcome step.

It is worth noting that Aer Lingus staff numbers have decreased by nearly 2,000 over the past few years. I am cynical about the recent call by Mr. Willie Walsh for 80 redundancies among pilots. He seems to be off-loading as much of the company as possible and we should ask if he is preparing it for privatisation much more quickly than we think. I wonder where Mr. Walsh himself will end up on the far side of privatisation. It will be interesting to see.

Mr. Bradford: He will be fine.

Mr. Browne: I am sure he will be looked after.

An Cathaoirleach: Order.

Mr. Browne: The Minister of State said the money raised through the privatisation of Aer Lingus would go back to the Exchequer. Can he indicate where the money will end up? Ultimately, that is the \$1 million question. Where is the guarantee the money will be used for the right causes?

Mr. Dooley: It will be spent on the Carlow bypass.

Mr. Browne: That is the danger. Initially, the money invested in Aer Lingus came from taxpayers and we must ensure that taxpayers receive the return on their wise investment.

An issue of concern relates to the share rights of employees leaving Aer Lingus between 1 December 2003 and 31 March 2004. As the

[Mr. Browne.]

Minister of State is aware, the ESOP arrangement presupposed the passage of the legislation through the Houses more quickly than has been the case. There is a precedent involving the ESB in respect of which ESOP discussions began in 1996 but only concluded in 2000. The results formed part of the Electricity (Supply) (Amendment) Act 2001. Due to the delay between the agreement of the term sheet and the coming into force of the Act, a number of staff who would otherwise have qualified for participation in the ESOP had left employment in the board. To accommodate these staff members, the Act was passed in a form which allowed them to participate. I hope a similar arrangement can be put in place in the case of Aer Lingus. I will table an amendment on Committee Stage to ensure that employees who left Aer Lingus recently are not disadvantaged due to a delay in the legislative process.

Can the Minister of State clarify the status of the Heathrow landing slots? If privatisation is sanctioned, a very attractive feature of Aer Lingus will be its landing slots. BA has been suggested as a possible bidder for Aer Lingus, although that might not be true. How do we secure the landing slots for future use and ensure that the company which takes over Aer Lingus does not transfer them to another airline?

To conclude, Fine Gael welcomes the Bill broadly while urging that we proceed with caution. I will not refer to Shannon Airport where there are major issues as my colleague Senator Higgins will refer to it. Deputy Naughten referred to the break-up of Aer Rianta in the Dáil. I am aware the break-up of Aer Rianta is linked to the Bill. I urge the Minister to take into account the different circumstances in Shannon. Recent reports indicate that Shannon is losing routes but may be gaining in other areas. Dublin Airport is very attractive and is the main profit making airport. The danger with privatisation is that shareholders will ultimately look for profit. That could have knock-on consequences for other airports that may not be profitable. We will have to ensure an even balance.

Mr. Dooley: I join with my colleagues in welcoming the Minister of State to the House on what is an important Bill which is technical in nature. I understand a previous Bill was passed in a previous Dáil and was brought through the House by the current Leader of the House, Senator O'Rourke.

The Bill will give effect to the changing role of the national carrier in our modern economy. The economy has changed and there have been many changes in the aviation sector. Previously, the ethos was for the national carrier to be part of providing for the national interest. That has changed from a position of providing access as a service rather than facilitating a desire to travel to this country. There is no doubt Aer Lingus

created that demand in the early stages. It was very much part of developing Ireland as a tourism and business destination.

In light of the many advances, growth in world aviation has seen many changes. There is less of a need for Aer Lingus to focus on the national interest component. That is clear by virtue of the demand that now exists for travel to Ireland, a demand created by Aer Lingus. It is obvious by virtue of the many other airlines that travel to Ireland and provide access, particularly on the transatlantic market, that great credit is due to Aer Lingus which was part of pioneering the routes across the Atlantic and in developing what has become a large market in recent decades.

The changes in EU rules preclude the Government from providing subvention to Aer Lingus. That forms the backdrop to the Bill. It will no longer be possible for the Government to provide Exchequer funding to the airline in crisis. We saw how difficult that was when the airline experienced difficulties associated with creating a restructuring plan without the capacity to revert to the Exchequer. The purpose of this legislation is to provide for a viable future for the airline. It needs to change the focus which was initially targeted at the national interest. That need is no longer as prevalent, but there is a need to develop the airline and ensure the future viability of not only existing jobs, but to build and grow a company that will develop into an international success.

The transition has been painful on many occasions, moving from that ethos of national interest to being focused more on profitability and the delivery of a service. There has been a number of recent crises of which we are all aware. The Government has been involved on all those occasions. I refer to the Cahill plan and the more recent survival plan the effects of which are going through now. The principal reason for that was the weak management, much of which was based on the fact that there was a comfort zone associated with the capacity to revert to the Exchequer or to the Minister for Finance to be bailed out. That has changed as a result of EU legislation in the aviation area. It means airlines no longer have that comfort zone. Many of us were surprised to see the demise of Swissair and Sabena during the past two years. We should keep those in mind when we talk about Aer Lingus because those two airlines were synonymous with their nation state, as Aer Lingus is with Ireland and yet under the new rules they were unable to survive and fell by the wayside. This legislation is critically important from that perspective to ensure we do not see the demise of Aer Lingus in any future uncertainty in the economics of the aviation sector.

It has been clear for some time that if Aer Lingus is to respond and take advantage of opportunities in the world market it needs to have access to capital. Aer Lingus is competing with some well-financed airlines not only throughout the world, but in Ireland. It is

competing with Ryanair, a well-financed operation, which has the capacity to change direction and business model because of its access to finance. As Aer Lingus is State owned and the Government is precluded under EU legislation from putting significant finance into it, it is important that whatever decisions are ultimately taken by the Government will allow it compete on an even footing with its many other competitors. The Bill provides for this and at some point for the disposal of shares, whether in whole or in part. I am happy to note in his contribution that the Minister of State identified the need for regional development, under whatever provisions are introduced, to see the disposal of these shares.

Another important provision concerns ESOP. It is important to recognise the efforts of workers in turning around the company. That is and has been a critical component of the success and the renewed development of the airline. I am pleased their efforts are being rewarded.

I agree with Senator Browne concerning the difficulties for those who have left or are in the process of leaving. There is a real issue here which perhaps the Minister of State will address at a later stage. I am not sure how it might be addressed. Senator Browne said there is a precedent in the ESB, although it concerns a different Department. If the principle could be applied in this case it would be welcome. I have been contacted as I am sure my colleagues have been, particularly by those who have been interested in voluntary redundancy. Following an announcement last week by the company there is a request for 104 redundancies at the station in Shannon. Many of those I spoke with during the weekend were concerned because the timeline for these redundancies may not dovetail with the passage of the legislation. Certainly it will be a problem for Aer Lingus. I spoke with the chief executive this morning who indicated that the redundancies requested are voluntary in nature. There will be a real difficulty if the legislation cannot be passed in time to dovetail with that timeline. Perhaps the Minister of State will say if the Bill can be got through a little quicker.

I come from County Clare and the announcement of those redundancies is disappointing for the mid-west for a number of reasons. Predominantly, it is disappointing because it seems to give credence to an often stated line that Aer Lingus no longer has an interest in regional development. I am heartened that the Minister has indicated this will continue to be a part of the operation of Aer Lingus. It is difficult to force Aer Lingus on this matter when one considers the focus is now on profitability and maintaining a viable operation in a difficult economic environment. While the national interest does not have the same importance, there is a real need for balanced regional development, a central plank of Government policy, and a need to ensure that air access to the mid-west is maintained.

We often hear of the BMW region, a so-called underprivileged region in terms of investment. However, a recent IBEC report suggests that the level of foreign direct investment and job creation in the mid-west has deteriorated significantly in recent years. While IBEC would attribute this to a number of factors, the continued provision of air access, particularly on the transatlantic route, will be an important factor in trying to stem that decline and promote growth.

There is a vital need to generate balanced development at regional level. Air access is one of the key factors in this regard not just from a business, but a tourism perspective. Recognising the change in airline culture, it is important to take stock of another component involved in regional development, namely airport infrastructure. Much work is going on behind the scenes to resolve the break-up of Aer Rianta and set Shannon Airport apart as an individual airport with its own board of management and its own focus, control and marketing operation.

It must be a function of the airports to attract competition into this environment. If Aer Lingus's focus has changed, a plank of Government policy to ensure continued development of the region must be to provide support to the airport's structure. I have for some time supported the concept of cutting free the airport board at Shannon from the clutches of Aer Rianta. I would welcome the passage of this legislation as soon as possible, notwithstanding the difficulties that currently exist.

Another element which has potentially positive implications for Aer Lingus is the open skies policy, although it has potentially negative implications for Shannon, the mid-west and west. A period of great change is being experienced and Aer Lingus no longer has a national interest ethos. The break-up of Aer Rianta and the proposed open skies between the EU and US will put a strain on the mid-west and west. It will be important, whatever discussions take place between the EU and US, that some type of derogation or a phasing in period, of whatever length, is part of any changes envisaged.

Other critical elements for the future of the mid-west, given the change of focus of Aer Lingus, will be road and rail access. There have been advances in this regard, particularly in the context of the Ennis bypass and the planning associated with the fourth river crossing in Limerick city. Some upgrades are obviously needed, in particular regarding road access from Galway to Shannon, and also in providing a rail link between the main Ennis-Limerick line and Shannon. These critical pieces of the infrastructure jigsaw will ensure the mid-west develops to its full potential along the lines of Government policy on balanced regional development.

I acknowledge the tremendous recent success of Aer Lingus. As with all good things, this has been brought about by necessity — the necessity to survive. Events such as 11 September 2001,

[Mr. Dooley.]

foot and mouth disease and SARS have spurred management into a course of action which has resulted not just in the provision of a quick-fix solution to the problem that existed, but a change in the mindset and foundation upon which the airline is based. This, therefore, puts it in a much stronger position for the future.

The strategic decision to change the business model was the most important element in this regard. There is no doubt that the involvement of workers in terms of pay restraint and changes in working conditions was of critical importance. Nonetheless, the change to the hybrid business model of low fares together with good delivery of service has been critical. It is worth putting on record the tremendous work of the management team and, in particular, the chief executive officer, Mr. Willie Walsh, in devising and delivering that strategy over recent months. The disposal of the shares in the airline obviously will be a matter for the Minister for Finance in consultation with the Minister for Transport and his Department. Obviously, the debate will involve some discussion concerning whether it be an IPO or trade sale.

I am particularly concerned in regard to the consolidation of airlines. There is real concern that if a number of the larger airlines buy up the smaller airlines, only a small number of carriers will operate between the US and Europe through perhaps four or five hubs in Europe. This may ultimately lead to a situation in which there is no direct access from Ireland to the US, which would be of great concern to all. I am sure the Minister will consider these matters.

Mr. O'Toole: I wish to share my time with Senator Ross, by agreement.

Mr. Bradford: Although not with his views.

An Cathaoirleach: Is that agreed? Agreed.

Mr. O'Toole: I welcome the Bill. I remember the dark days of the last quarter of 2001. I know what went on at the airport and in Government. It looked as if Aer Lingus would go down, although that was not for want of support. It is important to remember that the Government was prepared to put money into Aer Lingus but that was not allowed because of European competition legislation. While President Bush put billions of dollars into supporting American airlines, we could not do that, although I believe the French Government found ways to do so. We had to watch as Swissair and Sabena went out of business.

I listened to Senator Dooley giving credit to the Aer Lingus chief executive officer. While I will not take from the CEO in any way, those who put their blood on the line were the unions and workers at Aer Lingus. It was a very difficult time. Although Senator Ross might say this differently, if ever there was a precise articulation

of the benefits of partnerships, it was in the saving of Aer Lingus.

A number of measures were needed to turn Aer Lingus around. There were three significant parts to the plan. The first was the idea of a complete revolution in work practices, routines and the system in which workers contributed their labour, skill and expertise, at all levels. The second part was painful, if one considers the situation three years ago, in that the workers had to forego the PPF pay increase due at that time. The third and even more painful part was that workers had to agree to a significant level of redundancies. These elements were the basis of the plan.

As part of the negotiations, it was agreed that the foregone pay increase would pay for the workers to buy into the share options scheme. Everybody agreed this was a fair way to do business. It rewarded labour, it was part of the profit-sharing that the Government was pushing and we made it work at the time. The workers bought into that at great pains to themselves at a time when some people were saying the company was going under and that the scheme would not work, but they made it work.

It was agreed that the share option scheme would come into operation in October last year, when the scheme would be signed, sealed and delivered. However, it was slow work getting the legislation through, as it got caught up with the budget. It did not reach the Houses until after the budget and took a while to go through the Dáil. At the very earliest it will leave the Seanad next week.

Section 7 gives the company power to issue shares to employees. However, the redundancies have kicked in already, so in effect those who are about to leave or who have left, but who have paid for their shares, are technically not eligible to get them because they are no longer employees. That is a technical point but under the legislation the company does not have the authority to issue shares to them if they are no longer employees. Senator Browne and Senator Dooley mentioned this issue and Senator Ross and I have already tabled an amendment dealing with the matter.

The circumstances were the same with the ESB. Instead of stating that the company has the power to issue shares, according to section 7, the Minister should include an enabling clause stating the company not only has that power but that it is deemed always to have had the power to issue shares. In other words, the company could have issued shares to the people concerned previously.

The Minister should accept that amendment, which is tabled on the basis that a similar situation has already been dealt with in this way in the ESB legislation. The wording of the amendment Senator Ross and I submitted follows the wording in the previous case precisely. No one is trying to pull a fast one, nor is the Department or Aer Lingus trying to deprive these people. They have been caught by time.

The shutter was pulled down before we had time to place the bet. The Department acknowledged that fact and senior Aer Lingus human resources officials have also acknowledged that this must be addressed. This minor amendment is the only one being tabled from these benches and it should have the support of the House. I ask the Minister to accept it or to bring forward a provision with similar wording. I hope he is open to dealing with this equitably in fairness to all concerned. Can we agree on that?

Mr. Ross: I flag my support for Senator O'Toole's amendment and I ask the Minister to consult his officials before this amendment comes up for debate next week. Senator Dooley signalled some sympathy at least with the amendment, which is significant for his side, while Senator Browne also supported it. It would be appropriate if the Minister accepted that this amendment arises out of all-party support in the House. It is only equitable to include those workers who have been left out of the ESOP. This appears to have happened more by accident than design and it would be very unfair if they were discriminated against, both in this issue itself and in them being treated differently from ESB workers. They would have a real grievance.

Like most Senators I support this Bill in principle. I have to support it because I think I supported it in 2000 and I better do so again. It tells me much about Aer Lingus in the past and there are lessons in that, but obviously the main thrust of the Bill is the privatisation of Aer Lingus. There is a reluctance to spell that out in such brutal terms in the Minister's speech, but I welcome the fact that Aer Lingus should be privatised. There are lessons for us in the need to do it.

The consequence of 11 September 2001 was the exposure of the vulnerability of an airline like Aer Lingus and the fact that a semi-State body, fully run and owned by the Government, was not working in a commercial environment. We only saw the refusal by the Government to inject funds in Aer Lingus at a time of crisis thanks to EU rules. I do not doubt that if those EU rules did not exist the Government would have injected more money into Aer Lingus and we would have had the same inefficiencies and difficulties. We would have had the same airline and the same problems we had in its previous existence.

In some ways we have to be grateful that the Government was not free to operate in a way which was politically expedient. The Government should be grateful for that also, but it had to do something about Aer Lingus very quickly or close it down. I agree with the previous speakers that what was done was commendable. If there is a case for ESOPs, then this is a much stronger case than those which were made in the past.

There is no doubt that there were 2,000 redundancies and all sorts of changes. The antediluvian practices carried on in Aer Lingus in the past had to stop and the only way those could

be changed was by facing bankruptcy — by facing doomsday. They would not be changed voluntarily, nor were they, but there was an agreement. A gun was put to people's heads and agreement was reached: if people went along with the survival plan, they would be given shares.

I have reservations about this sort of share arrangement but in order for the airline to survive it might have been necessary in this case. An identical number of shares is being issued — 14.9% is the amount in every case — but there is no comparison between this and other semi-State bodies which have come to similar agreements. Aer Lingus was in crisis, something had to be done both politically and commercially and this was the deal done, like it or not. In other situations, like ACC and ICC, there was no crisis, yet exactly the same deal was done, with 14.9% of shares. In those cases, and the Eircom case, there is very little evidence that there were many changes in work practices. It was just convenient for the Government of the time, to get themselves out of banking, to hand over 14.9% of shares to the workforce of those companies. However the same justification does not exist in those cases.

We should note the Minister said that the issue for consideration by Government is whether Aer Lingus can do better in private or in public ownership and whether there are any vital strategic matters which would influence that choice.

I have two reservations in this regard because this may be a case of privatisation with serious strings attached. When the Minister of State refers to "strategic choice", I assume he is referring to the national interest once again. I do not believe there is any longer a national interest in holding on to a national airline. We will not become marooned on some strange island because flights will still come in from other airlines, regardless of whether we fly.

I also have difficulties with the Minister of State's statement that he is

aware of concerns about strategic issues in the context of the State exiting from ownership of Aer Lingus. These concerns relate to the Aer Lingus brand, slots at Heathrow and the commitment of any new owners of Aer Lingus to regional development in Ireland.

If the Minister of State sends out those signals while trying to sell Aer Lingus, the Government will find it difficult to get a decent price for the company. If the Government is telling prospective buyers they must fly into Cork, Shannon and other airports, few will be interested. These issues of strategic interest will put off buyers.

The first thing which will put off an overseas airline interested in buying is the 14.9%. That is not a popular thing to say, but it will do so. The second thing will be if the Government states there is a strategic interest in regional

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development. Regional development is a broad ship, which means the airline will have to fly to places designated by the Government. It will find it difficult to get competing buyers or get value if it does that. It will find, rightly or wrongly, that it is selling Aer Lingus at a discount because other airlines will not have demanded such stringent conditions on the sale.

Dr. McDaid: The PSOs are already doing that.

Mr. Ross: All right.

Mr. O'Toole: The Senator does not like workers owning the company.

Mr. Ross: Let us get on to——

Mr. O'Toole: He feels he has gone far enough to the left today. The House should not worry about him.

Mr. Dooley: I thought that was a major shift.

Mr. Ross: I assure the House and my constituency that I will not be seconding many of Senator O'Toole's amendments.

Mr. Dooley: I was wondering what sort of lien Senator O'Toole had on the Senator.

Mr. Ross: If Aer Lingus is to be floated, we need to seriously examine the costs. In the case of the Eircom flotation, a scandalous amount of money was given to the advisers. The Government and taxpayers were ripped off by a host of advisers who were paid far too much money. I cannot, nor can anyone else, justify the €60 million in fees for work which was not particularly demanding or rewarding nor, in retrospect, was it skilful or successful. The Minister of State will remember the difficulties and the controversy which attached to the flotation of Eircom. The price was in dispute and the argument about whether it was too high or too low continues to this day.

There is no doubt the advice the Minister and the Minister of State will pay for in the case of Aer Lingus will be conflicting, arguable, highly subjective and, I would guess, not worth the sort of fees which are being paid. This is an important point which the Minister of State should bear in mind. There must be a saving for taxpayers from paying the sorts of enormous fees which are paid by the private sector for advice of dubious value.

When we talk about vital interests and Senator O'Toole's unions because, after all, the Senator speaks in this House for all the unions regularly — it is a mantle he has taken on and is welcome to——

Mr. O'Toole: If we only had the newspapers on our side, we would be fine.

Mr. Ross: The Senator will not be getting that for a long time, not even from the NUJ. When we talk about the role of the unions in the airports, we must remember that it was they who closed them down when Ryanair was embroiled in controversy. The unions did not show loyalty and sacrifice when it was needed and did a huge amount of damage to the image of Ireland abroad when they closed down the airport. Therefore, we cannot rely on the unions, whether the airline is under State or private ownership. There is no great loyalty attached to the State models by the unions who aspire to having made that great sacrifice. The sacrifice in question was expedient and remains so. Let us not place too much hope that they will show the same sort of loyalty in the private sector as they claim to have in the public sector.

Mr. Wilson: I join with other speakers in welcoming the Minister of State to the House. We are all aware that Aer Lingus was established in 1936 and has since undergone major change, from the establishment of transatlantic services and internal flights to its recent dramatic turn around in the face of major difficulty.

As has been mentioned by other Senators, the terrorist attacks on New York and Washington DC in September 2001 were a major challenge to airlines all over the world. The airline industry went into a serious recession and Aer Lingus, like others, was badly affected in the weeks and months after the attacks — perhaps more so than bigger airlines around the world because of its size.

Under the stewardship of Mr. Willie Walsh, Aer Lingus embarked on a radical restructuring of the company and the board, management and staff at the airline need to be complimented by us all on the manner in which they have turned around the problems at a time when some of the so-called experts were telling them to walk away and close up shop.

Aer Lingus is now expanding its routes across Europe and has returned healthy profits for the past number of years. The Minister of State stated that from being on the brink of bankruptcy in late 2001, when the company registered a loss of €52.1 million, it had an operating profit of €63.8 million in 2002 and is about to publish a profit of €78.5 million for 2003. That is against the background of the war on Iraq and the SARS scare. It is, therefore, good news.

I also note from the Minister of State's speech that the airline operates 42 routes, which is the same as it had originally. Moreover, a further nine routes will be established this year, which must be welcomed by us all. The Aer Lingus Bill is another phase of the survival plan to save our national airline and it is a concrete acknowledgement of the contribution of the staff at the airline to its turn around following the events of 11 September 2001 and other crises.

As the House is aware, I am from Cavan. We do not have an airport but, thanks to the massive

investment by the Department of Transport in the roads infrastructure, particularly the proposed dual carriageway from Clonee to Virginia, we will be just a little more than an hour's drive from Dublin Airport. Any of us who have had occasion to travel with Aer Lingus, particularly on transatlantic flights, are justly proud of that company. My colleague, Senator Dooley, alluded to the no frills airline which I will not mention here. It is worth paying an extra few euros to receive the quality of service Aer Lingus provides on its flights, especially its transatlantic flights, of which I have most knowledge. That quality should be maintained as it is to the benefit of the company, even if its services are slightly more expensive than some of the other larger airlines.

Senator Dooley has a fear that Aer Lingus may be bought by some of the larger airlines if it is floated. I think his fear that four or five of the big airline companies could act as a cartel is justified and it is conceivable that we in Ireland could end up with no direct access to North America. We might have to go via London or Paris and I think that would be a sad day, especially since 2,000 people have sacrificed their jobs to enable Aer Lingus to become competitive. I was glad to hear the Minister say that before any proposals to float the company are mooted, he will come before both Houses and outline his plans. It is important that that happens.

Senator Browne's fears for the company if it is floated are perhaps justified, although I would welcome a flotation if the proper safeguards are put in place. Our experience of the Eircom flotation is not a good one. First, as Senator Ross pointed out, consultants were overpaid for the work carried out. Second, having read the various commentators, I believe that the price was too high and a third of the value was wiped off within six months. This will naturally strike fear in the mind of the ordinary citizen. Some of the big institutions might move in and buy it out. However, if the ordinary citizen is given the opportunity to participate in a shares buy-out then it should be realistically priced and as little money as possible should be spent on advisers and consultants. I welcome the Bill. It is a short but effective piece of legislation and I look forward to listening to the other contributors.

I congratulate the Minister of State on his nomination as a candidate in the new North-West constituency for the Fianna Fáil Party. I know he will do us proud although, unfortunately, we will lose him as a junior Minister.

Mr. McDowell: The experience of the Minister's colleague, the Minister of State at the Department of Enterprise, Trade and Employment, Deputy Fahey, at the weekend reminded me of the Labour Party convention in Dublin a number of years ago when the then MEP, Ms Malone, was nominated in circumstances which were not too dissimilar to the nomination of Mr. Ó Neachtain MEP. We

know what happened there, but that is a matter for the people of the north-west.

I am opposed to this Bill, as is my party. The ostensible purpose of the Bill is to provide for the ESOP but the real purpose is to allow the Minister to effectively sell off Aer Lingus. I am not one of those in the Labour Party who has a knee-jerk reaction against privatisation. I think there are circumstances when the private sector can do certain things better than the State sector. There are also times when there is no good strategic reason for retaining a company within the State sector. For example, when I was the finance spokesperson for the party I did not oppose the privatisation of some of the State banks such as ACC because I felt there was no longer any strategic niche being served. I wanted to make that point first to show that this is not knee-jerk reaction on my part. However, I profoundly believe that it would be a mistake and not in the strategic interests of Ireland, to privatise, sell or float Aer Lingus.

I object to the typically glib characterisation of Aer Lingus by Senator Ross. He has given the impression of a basket company populated by workers and unions who regularly bring it to its knees. The reality is that it is a company in place for nearly 70 years which has given service to the Irish people and Irish business, which has been profitable for almost all of its existence and which has received precious little financial support from the State during that time. Workers have made significant sacrifices in recent years in order to ensure the future of the company. It is a fact that in the 50 odd years of its existence from 1937 until the early 1990s, Aer Lingus received virtually no equity injection from the State at all. In the early 1990s when the Minister's party and mine were in Government, it received IR£175 million. It then ran into financial difficulties again in the aftermath of 11 September 2001, yet even in that context it did not receive any further financial assistance from the State.

I am opposed to the privatisation of Aer Lingus primarily because I do not believe that the strategic interests of this country can be guaranteed if the company passes into private hands. The trend in recent years is unmistakable, where large companies gobble up smaller ones. The trend is for large alliances to be formed between companies, some of which are national airlines and some of which are private. However, the trend is unmistakably towards consolidation. There are fewer companies around and there will be fewer around in five or ten years time. The trend within those companies and within those alliances is also clear. They are setting up hubs. It makes much more commercial sense for a particular airline or set of airlines to agree to use a particular airport as a hub, be it Amsterdam, Frankfurt or Paris. There is a significant likelihood that if Aer Lingus is sold, for example to British Airways, in a short period of time we will find ourselves a mere spoke in the wheel. We will travel to Heathrow or Manchester and from

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there to other destinations. It will almost certainly be in the interest of whatever airline takes over Aer Lingus to continue to fly between Britain and Ireland and perhaps to Paris and Rome. We will be back in the 1960s where Aer Lingus had a half dozen routes to the European mainland, a couple of routes across the Atlantic and very little else. Everyone will be required to go through two or three hubs or perhaps only one. That is not in Ireland's interests.

I cannot see how the argument can be made that this is in the interests of Irish tourism. We all know that direct access is very important to tourists coming here, be it from America or the European mainland. It has always fascinated me why people do not want to go to the west of Ireland. I am familiar with that part of the country as my wife is from Clare. It has always surprised me that it is not possible to bring more tourists straight to the west as they always end up travelling to that part of the country eventually. That is an aside. The point is that tourists want to go straight to Ireland and they do not want to spend half a day in Heathrow on the way over and half a day in Heathrow on the way back.

Likewise, businesses want direct access. We are spending a fortune facilitating businesses in getting quickly to the nearest airport. If we then ask them to spend a lot of time at an intermediate airport, it devalues our national airline. It is not in our strategic interest that this should happen. I would bet any money this is likely to happen.

The Minister of State referred to several other aspects of the strategic interest but I am not sure I agree with him. I note he referred to Heathrow slots. Perhaps he has some magic formula to try to retain the Heathrow slots in the strategic interest of Ireland or as a means of guaranteeing they will be used for access to Ireland. It appears this will be very difficult.

On regional development, the Minister of State rightly pointed out that this is something which can be achieved through direct subsidies. It is being done at the moment, to Aer Arann and other airlines, and it does not appear to impact one way or the other on Aer Lingus.

I want to outline why I think the arguments in favour of privatisation do not stand up. There are basically three arguments. First, it is argued that privatisation is required to get investment into the company. It is argued we need it to have the competition customers want, which reduces prices and is generally good for business, and that we need it simply because we need the money. The truth is that no matter how valuable the company is, or how important it is in terms of our strategic interest as a country, it is still only worth approximately €500 million or €600 million, which would just about pay for the Minister's savings schemes this year. It might have paid for a good part of a stadium, but it is not big beer. We could not justify the privatisation of the national airline purely on the basis that it would

take in that sort of money, and we should not go down that road.

A more important issue is that of investment. Clearly it is necessary to get investment into Aer Lingus, to invest in the fleet and invest for the future in good times. Governments sometimes seek to create the impression that is not possible to do this within the context of State aid when in fact it is perfectly possible. However, one cannot bail out a State company by using State money. What happened in the early 1990s would not now be possible. It is perfectly possible, however, to use shareholder funds and Government equity to invest in the company. It would be perfectly possible for the company to receive an injection of equity from the State to improve or increase the size of its fleet. The Minister acknowledges this in his speech. He said the State cannot invest under EU rules when the airline is in crisis and it would be very difficult to justify injecting scarce Exchequer funds into a profitable Aer Lingus when there are many other competing and more deserving priorities. He is making it quite clear that the reason Aer Lingus is not getting an injection of the funds it needs to improve and expand its fleet is due to what he refers to as other more deserving priorities and demands on State money. This is an important point, because there is nothing illegal, improper or contrary to EU rules while Aer Lingus is in profit in making the necessary investment to provide for the future of the company.

There is a good argument for saying the company should borrow rather than depend on shareholder funds. Shareholder funds are of necessity more expensive and the return is greater to the person providing the funds. If the gearing is right — it probably is in Aer Lingus — there is a powerful argument for Aer Lingus to simply borrow on the open market in the absence of any willingness on the part of the Government to invest in it.

It is also argued that Aer Lingus must be privatised to ensure competition. This is an interesting argument, but one which does not stand up. I accept that in the airline industry, as in any other industry, competition is a good thing. The experience in this country was that Ryanair was snapping at the heels of Aer Lingus for a long time before they developed two segregated markets, which was good for the industry as a whole. It provided customers with a choice of the sort of airline they wanted and, generally speaking, it drove down prices. There is no contest anymore, but that is a good thing.

The implication of what the Minister, Deputy Brennan, is saying is that one cannot have proper competition if one company is State owned and the other is privately owned. Experience in this country does not suggest that is the case. We can look to what happens to two private companies if there is competition. Our limited experience of this is instructive. We saw what happened when, for example, GO recently tried to compete with Ryanair on one or other of the Scottish routes.

Lo and behold, the guy who trumpeted the merits of competition and low fares and the availability of choice for customers, Mr. O'Leary, not only took a very aggressive predatory attitude towards GO but actually had a contingency fund. Ryanair had money set aside in the bank, ready and waiting for any other private company that would have the nerve to come in and try to compete with it. Its interest was not to ensure customers got the best possible deal when travelling to Glasgow or Edinburgh, but to get GO out of Ireland as quickly as possible, in which it succeeded. The suggestion that competition among private airlines in Ireland will in the long term benefit customers is not fair.

The truth is that the Irish market is small. There must be competition but it is likely we will have to regulate that competition in the future. The point was made in the other House that Aer Lingus chose to compete with Jetmagic out of Cork when that airline recently tried to make an impact in Cork. There are those in Cork who blame the national airline for taking what they regard as an excessively aggressive view. It may well be that it contributed in some way. However, one must look at the flip side of the coin. Competition is competition and one cannot say to the national airline that it should behave like some sort of benevolent partner when someone is threatening its potential market. The national airline must be allowed to compete in the same way a privately owned airline.

In the past we have on occasion leaned too much on Aer Lingus. I agree with Senator Ross that there has sometimes been undue interference in its workings and management. We have seen in the past few years that when left to its own devices the partners in Aer Lingus, namely, management and workers, can forge a decent future among them. There is a lesson in that in terms of the State getting involved, namely, that we should, by and large, butt out other than setting strategic aims for the company.

I want to deal with the ESOP issue. I have a more jaundiced view of this matter than others may have. I support employee share ownership because it gives people a stake in the company for which they work. It gives them an incentive to work harder and creates an identification with the company. It frequently leads to more flexibility in the way people are willing to identify their interests with the company. It allows them to share in the company's profits. I believe in it for all these reasons and I believe these arguments hold good as much in the private sector as in the public sector. The difficulty is that I do not think ESOP is created for any of these reasons. This ESOP is created for the same reason the Eircom ESOP was created by the Leader when she was Minister of Public Enterprise six or seven years ago, which is to smooth the way to privatisation. It is, in effect, a bribe to the workforce in order to smooth the way of Aer Lingus out of the State sector. The Minister denied this in the Upper House. If he is

saying the merits of ESOP stand up, why not make provision for it now? It is being paid for as a result of the sacrifices of the pay freeze which has occurred as a result of the survival plan. The ESOP should be introduced, irrespective of what happens to the company in the future.

I support the amendments signalled earlier by Senator O'Toole. The Minister detailed the progress of the ESOP negotiations during the course of his speech. During that
5 o'clock time, hundreds of workers who participated in and contributed to the survival plan, and who in effect took the pain of that plan, left Aer Lingus. It is only reasonable and fair that they should get the benefit. There is merit in what Senator O'Toole said and it would be grossly unfair if individual workers who contributed towards the survival plan, and took much of its pain, were to be penalised simply because they have left over the past few months or couple of years.

Debate adjourned.

Higher Education: Motion.

Mr. Minihan: I move:

That Seanad Éireann:

- noting that the aim of the Lisbon Agenda is to make Europe the world's most dynamic knowledge based economy,
- conscious of Ireland's objective of placing the Irish education system in the top rank of the OECD in terms of both quality and level of participation, and
- anxious to maintain quality, responsiveness and competitiveness as a priority in higher education,

welcomes the Government's invitation to the OECD to carry out a review of higher education in Ireland with a view to creating a world-class research development and innovations capacity.

I thank the Minister of State, Deputy McDaid, for attending this debate. The context of the review is provided by Ireland's strategic objective of placing its higher education system in the top rank of the OECD in terms of quality and levels of participation and by the priority to create a world-class research development and innovations capacity and an infrastructure in Ireland, as part of the wider EU objective, of becoming the world's most competitive and dynamic knowledge based economy and society as agreed in Lisbon 2000.

The challenge of maintaining quality, responsiveness and competitiveness in higher education is a major priority against the background of the unprecedented levels of expansion, change and diversification in the sector in Ireland. The OECD review will evaluate how well the higher education sector is meeting

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these strategic objectives and will offer recommendations for making further progress. More specifically, the review will examine policy issues and options in the following areas: the role of higher education; strategic management and structure; teaching and learning; research and development; investment and financing; and international competitiveness.

It is imperative that we keep our educational system relevant to our wider social and economic needs. In a changing society and a rapidly evolving economy, higher education must be continually challenged to remain relevant and, as far as possible, responsive. Education skills, research and innovation are the bywords for success in the new economic era. This means that there must be a strong and constant connection between higher education policy and our national development needs. A national economy was once based on natural resources — coal, gas, oil, agriculture and so on — but if knowledge is the new basis of a national economy, then the rules have changed.

Unlike those natural resources we are talking about, knowledge is inexhaustible. When oil, gas and coal are gone, they are gone forever, but knowledge is never used up. It grows as one shares it. It increases, does not require elaborate infrastructure to tap its resource, is a real life form that knows no boundaries and grows with everyone it touches. There is one problem, namely, that knowledge comes only to the prepared mind. If one does not have a prepared mind, the knowledge is not available. Therefore, there must be a direct link between all levels of our education system. We cannot change third level without ensuring the chain that links our systems to both second and first level is not broken in some way. All three systems must be supportive of each other.

An area which concerns me is that of entrance requirements and access. The report of the points commission published in 1999 recommended the retention of the current application and admission system for entry to higher education. It recommends that the modes and techniques of student assessment be broadened to assess, recognise and certify a wider range of skills, intelligences and achievements than is currently the case. The report also recommended that in disciplinary areas, where competition for entry is particularly high, especially in the health-science areas, students should follow a generic health-science course for at least the first two years and that specialisation, for example, in the areas of dentistry, pharmacy, veterinary and so on, should commence in the third year. This recommendation is currently being considered by a working group set up by the Minister.

The position of mature students at third level is in need of urgent attention. Ireland has the second lowest rate of mature student entry in the OECD, with 26 year old people accounting for just 2.3% of university entry, compared to an

OECD average of 19.3%. While one welcomes the decision to implement the recommendations, the delay in initiating procedures for their implementation — it is now more than four years since the recommendations were made — indicates the slowness in the Irish educational system and the length of time it takes to implement change. At a time of rapid social and economic change, the education system should be able to respond more rapidly.

Two demographic changes in Ireland which have not been given much consideration in the education debate to date need to be addressed. The recent increase in the birth rate and the substantial new inward migration of recent years, coupled with the change in policy regarding third level fees in the United Kingdom, will place new burdens on an already inadequate number of third level places in Irish universities. We must give adequate consideration to the integration of foreign students. There is also a considerable degree of unmet demand for third level education in third level institutions in Ireland. One in three prospective students with adequate points for their chosen courses does not receive an offer of a place. We need to address this issue.

Regarding strategic management and structure, do we have the right model of governance in a time of change, one which will allow knowledge to prosper in the most productive way? Have we a structure that will allow partnerships to prosper with incentives and encouragement? We need to look in some detail at the governance of our universities and at the issue of management in a wider context. We now have multi-million euro college enterprises and such operations need to be managed not only in terms of accountability, but in an aggressive competitive manner designed to meet the new challenges, particularly in research and development. The current governing bodies need to be modernised and broken down into different elements to ensure we have a meaningful working model. There is a role for educationalists, social groups and an executive to carry out the day to day business of a university in a professional businesslike manner, moving these institutions onto the same footing as business entities to ensure all stakeholders are assured value for money and the best practice in the administration of their institutions.

It is worth noting that universities with non-academic managerial structures are at the bottom of the league in the United Kingdom. In the case of mismanagement in the UK, the whistle blowers have been academics. We need to look at the modernisation of the collegiate system, ensuring that governance and management performance are properly monitored to ensure full accountability.

The area of teaching and learning is central to the higher education system. Institutions must continue to take account of new ways in which learners can participate in higher education. Modern teaching methods and greater use of technology have to become the norm. Regarding

career structures for academics, we must ensure that academics, as well as their students, are constantly challenged. It is a fundamental requirement that our educationalists are focused on delivering the best education possible. This can be best achieved by a proper career structure and external evaluation on an ongoing basis. The issue of equality must also be addressed. There is clearly an under-representation of women at senior level in our education system.

Despite our economic success, a small economy such as Ireland cannot invest without limit in all areas of research, technology and innovation. Spending must be focused, therefore, on those areas that can contribute most to Ireland's long-term economic development. Science, technology, research and innovation are the key words of the future. We must build the structures which support research excellence. We must enhance our ability to compete at the pinnacle of knowledge and produce the people, through our education system, who will take on these new challenges. A cornerstone of this future is building a research capability in our universities, institutes and enterprises — in essence, the research infrastructure which will make it possible.

The Government is committed to getting the environment for business right and I am convinced it will continue with that commitment but there is a strong trend towards the movement of manufacturing to low cost economies. This reflects the fact Ireland is no longer a low wage economy and must make the transition to higher added value products and services that allow us to sustain and grow our incomes.

Each university should aspire to achieve a world class standard of research excellence to contribute to economic goals through knowledge creation and the production of the human resource required to fuel Ireland's emerging knowledge society. While a balanced national spectrum of capability is required, specialisation in fields allied to national economic priorities is vital. Given the size of this country, inter-institutional research collaboration must be facilitated, encouraged and rewarded through funding mechanisms. Multidisciplinary and cross-institution research centres should be developed. Institutes of technology should have a complementary but different role to the universities focusing on closer to market research and development and aligning their research strategies to regional needs.

Institutions must examine incentives and teaching methods which might attract and encourage students into fields which will underpin economic development but where interest at present appears to be waning. In saying this, we must be conscious not to create tensions between research and teaching. There is a danger that teaching will become undervalued. We should remember it is the teachers of today who create the researchers of tomorrow. The growth in research funding to institutions and the

building of the Irish science base should be complemented by the development within institutions of attractive research career structures which will attract and retain researchers from Ireland and around the world.

Institutions should be encouraged to develop non-Exchequer sources of funding through, for example, research and development and commercialisation of their intellectual property and through collaboration with the private sector. I emphasise that we need a clear policy on protecting our knowledge. This is our most important asset for the future. The protection of intellectual property must be a critical part of our future development.

It should also be noted that the percentage of higher education research and development funded by industry averages over 6% in the OECD and in the US, 7% in the UK and almost 12% in Germany as against a mere 5.3% in Ireland. There is no doubt the funding of our third level system must be examined. Let there be no confusion here. There has been a political decision that the reintroduction of third level fees is not on the agenda in the lifetime of this Government but that does not mean the review group should not consider how we fund our third level institutions now and in the future. In this regard, I suggest we adopt short, medium and long-term approaches to this question and explore the many and varied funding systems in use in other countries. Let there be a reflective debate on this issue to ensure a sustained commitment to funding in the years ahead.

I am concerned by the fragmentation of our research and development with various bodies reporting to different Departments. The overlap between the Department of Enterprise, Trade and Employment and the Department of Education and Science must be streamlined. When we are putting so much emphasis on this area, it is time we realigned responsibilities to ensure we stop looking at education, science and technology separately but instead treat them as an operational whole and as a dynamic innovation system under the control of one Department.

The National Competitiveness Council, in its competitiveness challenge 2003, specifically recommends that Ireland needs to develop an excellence in the research capability of our universities. The report states that Ireland simply cannot afford to neglect investment in our research centres and in fourth level education because to do so would have a detrimental long-term impact on the growth potential and the economy. In acknowledging the Government's continued commitment to research and development, we should acknowledge that the recent budget included tax relief for companies investing in research and development and the increased funding to Science Foundation Ireland. I am, however, critical of the interruption in funding to the fourth level programme for research in third level institutions, PRTL. There

[Mr. Minihan.]

is no doubt this brought into question our long-term commitment to research and development. With a shortage of Ph.D.s, I am glad the Minister for Education and Science announced in the 2004 Estimates that €32 million has been provided for the capital elements of the PRTL cycle three which will provide a full resumption of the programme. The Minister indicated that the 2004 provision is the first instalment of a €140 million Government commitment to the programme and he said that the full delivery and timely completion of cycle three of the programme was essential.

I hope this debate will contribute to this review and will help highlight some of the crucial issues facing third level education as we strive to place the Irish education system in the top rank of the OECD in terms of both quality and level of participation. I commend the motion to the House.

Mr. Dardis: I second the motion. We should acknowledge that much has been achieved not only by this Government but by successive Governments in bringing us to a point where there is an acknowledged level of expertise in the country which is a tribute to third level institutions. If it was not there, the large multinational companies which depend on hi-tech, graduate and skilled employment of a sophisticated nature, would not have located here. That this is a stable democracy and English speaking are contributory factors but one of the primary reasons we have been successful in this area is because of the quality of our second and third level education. That should be acknowledged at the outset.

Nevertheless, things are not immutable; they need to change and we welcome this review. It is important to put it in the context of the Lisbon agenda which talked about making Europe the world's most dynamic knowledge based economy by 2010. That is a laudable aspiration and I am pleased some concrete moves were made at the conclusions of the Presidency on 25 and 26 March in regard to how we progress these things. There are commitments in the programme for the Irish Presidency of the European Union in regard to how we advance matters in education and the Lisbon agenda.

There are a few aspects on which we might dwell, one of which is the issue of research and investment in research. Figures have been given as to the relatively low level invested in Europe relative to the United States, first, in industry and second, overall. We have a target in terms of a percentage of GNP and I hope we will reach it. An important issue here which is becoming more evident is the increasing tendency to have research funded by commercial operations. Even in the universities or in Teagasc, the agricultural research institution, more research is being generated and supported by private enterprise.

I do not have any reservations about that, other than that it should be patently clear that the research results from private funding. There was a high profile case in the United Kingdom recently where it was obvious that the research had been contaminated because a particular vested interest had generated funding for the research. In my view, those results were compromised.

The European Union is rich in human capital, which is one of our greatest assets. It is disappointing, however, to read some of the comments in the 19 January 2004 edition of *Time* magazine, which have been brought to my attention by Science Foundation Ireland. It is perhaps predictable that *Time* magazine would adopt a particularly American view of the world. The article refers to the brain drain from Europe and quotes European researchers who are based in the United States. One of them, an Italian at New York University, is quoted as saying, "The US is a place where you can do very good science, and if you're a scientist, you try to go to the best place. In soccer, if you're great, another team can buy you". The article continued by stating:

Science is the same, and the big buyer is the US: in 2000, the US spent €287 billion on research and development, €121 billion more than the EU. No wonder the US has 78% more high-tech patents per capita than Europe, which is especially weak in the IT and biotech sectors... Some 400,000 European science and technology graduates now live in the US and thousands more leave each year.

There is a definite problem there but, thankfully, the article continues by stating:

The good news is that the gripes are finally getting through in some European capitals. After a year in which researchers slammed it for putting key funding on hold, the Irish Government has put a new emphasis on science, especially the kind that can benefit the rest of the economy. The 2004 Government budget includes new tax relief for companies that invest in R and D. It also boosts funding for the State-backed Science Foundation Ireland (SFI) by 62%, in a move meant to speed construction of a solid scientific-knowledge base and make Ireland more attractive to firms in high-value sectors.

The article also includes a quotation from somebody working in the University of Utah, who said, "It's an enormous improvement from how things used to be in Ireland". Thankfully, therefore, that progress is being acknowledged.

Senator Minihan referred to the need for management accountability with regard to how universities conduct themselves. That is perfectly correct but we have to take it at two levels. One is the actual enterprise itself and how it is managed. It is important that universities should be accountable because large amounts of State funding are going into them. We have to know

that such funding is being used correctly and that such large businesses are managed properly. The other issue, which sometimes becomes confused with the latter one, is the academic autonomy of universities and it is important that Government should not interfere in that area.

In the past, we have debated such motions in the House, some of which were controversial, including one concerning the governance of Trinity College. The academic freedom to think and challenge orthodoxy is sacrosanct and should not be contaminated in any way. The establishment frequently dislikes what students or even senior academics may have to say but, nevertheless, if we do not have those people to challenge the way in which society is organised, as well as challenging ideas and research, the country would be a poorer place and the excellent quality of university education would be compromised.

The points system is another issue that deserves our consideration. I note that a 1999 report referred to the need for a wider range of skills. If there was true competition between universities, the points issue would not be as dominant. One of the disappointing aspects for those of us who are traditionalists is that sight is being lost of the vocational side of education. There is a definite streaming of students into medicine because a high number of points is required for university medical courses. If young people get the necessary points they feel they should pursue medical studies but we all know that medicine is not like that. There has to be a vocational dimension and aptitude also counts. Senator Minihan spoke about the need for a preparatory introduction to the wider range of academic disciplines before a student goes on to study medicine. We are losing sight of the vocational aspect in areas such as medicine and veterinary science.

Senator Minihan also raised the fees issue and made the point that the Government is committed during its period of office to not re-introducing third level fees. Perhaps the OECD could examine the various ways in which Government moneys could be delivered. Such moneys can be delivered directly through the universities, intermediaries or students, if that is thought prudent. The award to the student could pay for the education, rather than paying the money directly to the university. Those are nuances, however, and I am sure they can be examined further.

There must be a greater inclusion of people from excluded areas and classes in third level education. Increasingly, it appears to be the case that there are more and more degrees available. I do not have any objection to that, but basic academic standards must be reached so that degree courses can be properly accredited and worthwhile degrees awarded. Degrees should not be awarded by some institutions in Ireland that do not really have a status equivalent to the

required standards. That is another area that needs to be examined.

University staff should be properly paid and their work should be recognised. When one considers what some people in Law Library earn, it is somewhat ironic that those who taught them law earn very much less, although they probably have done more for society than those who later gained very large incomes.

Mr. U. Burke: I welcome the Minister of State but I regret that neither the Minister for Education and Science nor his Ministers of State are here for this important debate. The discussion would have provided the Minister with a valuable opportunity to put on record his vision, if he has one, of education in the future.

The motion is timely in so far as we have reached a funding crisis for third level institutions. It is a matter of great concern that the Government is calling in the OECD to review the higher education sector, given that third level institutions have already declared that they want to privatise. The Minister has endorsed the idea of privatising certain colleges, if not all of them eventually. Anybody who understood the reasoning behind the Minister's invitation to the OECD to review aspects of our education sector would not be fooled by it. This time last year controversy raged about the reintroduction of third level fees.

We were told by the Minister, as he vehemently defended himself, that for the foreseeable future fees would not be reintroduced. He was rescued by the Progressive Democrats. Both Progressive Democrats Senators stated that, during the lifetime of the Government, fees will not be reintroduced but not many people will believe that because a review has been instituted and it is a racing certainty that within the next four or five years third level students will have to make a contribution to their fees through direct payment, loans or other means. It is regrettable that the Minister is not present to acknowledge there is a crisis and he does not know what to do. He has appointed so-called independent professionals to undertake this review, having advised them of his view and provided them with the input of the education partners. The review body is conditioned and focused in regard to its remit while the Minister and Government will say it is only implementing what the OECD recommended and, therefore, it will escape the wrath of the public and the turmoil in the third level sector for the past year.

I am also seriously concerned about the question of privatisation. The chairman of the Higher Education Authority has indicated his preference in this regard, which has resulted from the failure of the Government to adequately fund third level institutions. Funding in 2004 has reduced by 10% because the allocation is the same as in 2003. It is impossible for institutions to maintain their output and the people charged

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with the management of the institutions are saying they will privatise and develop links with industry to generate funding. That may not be a bad development but, at the same time, the Minister should issue a statement outlining whether he is endorsing that policy and will allow it to be implemented. Mr. Thornhill said there must be a change in structures, management, institutional autonomy and funding if the sector is to fulfil its complex role and meet the many demands of society today and into the future.

I am absolutely horrified by the IDA, which stated:

The Industrial Development Authority are worried about the type of graduate Ireland's third level institutions are turning out. In a submission to the major OECD review of third level education, the IDA complains that foreign companies based in Ireland frequently find that the core personal skills, including communication, interpretational presentation and project management skills, seem to be lacking in graduates entering the workforce.

That is a terrible condemnation of our graduates. We pride ourselves on the quality of graduates emerging from third level institutions and they are the sole reason so many multinational companies have based their research and development arms, in particular, in Ireland. Is the IDA accepting its failure to attract companies? The authority blames somebody else and will not take responsibility for its failure over the past number of years. How many companies has it attracted to Ireland in comparison to five or ten years ago? Tragically, the IDA can only blame the quality of graduates. That is a terrible indictment of the IDA and the Minister should respond to the authority.

The Minister's failure to be present to indicate his vision is an appalling response to the worthwhile motion tabled by the Progressive Democrats. I hope this issue will be progressed in the near future.

Mr. Fitzgerald: I welcome the decision of Senator Minihan and the Progressive Democrats to table this timely motion. The most comprehensive and significant review and evaluation of the third level system in a generation is being undertaken by the OECD. It will examine all aspects of higher education, including the State's performance in comparison to other OECD countries.

A high calibre team has been appointed with a wealth of international experience and expertise. The calibre of the team demonstrates the seriousness with which it is facing the challenge and it is baffling that the decision to bring in the OECD has been criticised at this critical time. However, this also reflects the fundamental importance the Minister and the Government attaches to the third level sector and its progress to maintain economic and social development.

The OECD has played an extremely important role for more than 40 years as a catalyst for change in Irish education. Its review of the education system in the 1960s has been widely acknowledged as a defining moment in Ireland's recognition of the vital link between education and the social and economic progress of the State. I have not come across statistics to the contrary. The current review at this critical time will be of equal and lasting significance.

I compliment the Minister on selecting an independent international review team of such high calibre to evaluate the challenges facing our system in this rapidly changing world and the ability of the system to address those challenges. If he had picked a domestic team for this review, he would have been accused of bias and a cover up. Significant progress has been made in third level provision in recent years. Both the Lisbon agenda and Ireland's strategic objective of placing the education system in the top ranks of the OECD in terms of quality, participation and competitiveness call for this in depth evaluation.

We are all aware of the critical role education, research and innovation have played in the social and economic development of the State. Our priority is to ensure education continues to drive economic and social progress. Ireland faces significant and ever changing challenges. For example, the world is changing so quickly, we are no longer sure of the skills that will be required in a few years. Third level graduates will fill five out six new jobs created in the next decade. There will be a greater demand for degree holders and, by 2015, they will represent the largest group in the new economy. The fastest growth is forecast to be among those with third level qualifications in science, engineering, law, finance or commerce.

However, enrolments in science courses in universities have decreased and there are short-term reasons for that decline. At the same time, student numbers at second levels have reduced significantly and this means the traditional source of the bulk of third level entrants is slowing. The HEA, for example, forecasts there will be a 35% reduction by 2012. This year, the number applying for third level places has decreased significantly for the first time. This has serious implications. There will be spare capacity when other recent trends and developments are taken into account. Some of our colleges of technology are already having difficulty filling places. The challenge for the Minister and for the Government is how to justify greater resources in the institutes if it becomes clear that demand is beginning to decline sharply.

Another concern is the temptation to reduce third level entrance requirements. With increasing spare capacity there is an increasing case for attracting more adult learners and for further strengthening the links between work and education. With the pace of change in our world, skills and occupations become obsolete within a matter of a few years. This poses a challenge to

the third level sector in terms of its capacity to upskill its workforce. To deal with these changes the sector will have to restructure internally and show enough flexibility to succeed in a new and changing environment. The problems of spare capacity can also be addressed by attracting overseas students to our colleges. The Minister has established many contacts in other countries and there is huge potential in some of these countries where the Irish education system is held in high esteem. To realise that potential calls for a huge marketing job. One of the keys to this is to establish a guarantee for the quality of Irish education. This must be done in a way which is recognised and accepted internationally.

One of the principal areas of focus for the review team will be our binary third level system. Institutes of technology were established several decades ago to respond to an economy-linked need which was not being adequately met by other areas. The institutes have done an excellent job within their remit. The big question now is what to do with that system. Should we recommend to the review team that it be changed? The Higher Education Authority recommends that the sector's two main tiers should be brought under its ambit and says that such a development would ensure comparability between quality assurance systems. The HEA also says that this change would significantly enhance the flexibility and capacity of the institutes of technology in carrying out their core functions of teaching, research and service to the community.

I do not agree with the idea of dismantling our two-tier system. In the United Kingdom many polytechnics have been turned into universities, with disastrous consequences for the quality of that country's education. Our disproportionate share of US high technology firms and investment, compared with that of England, owes as much to the contrast between the two countries' education systems as to the difference between the tax incentives offered by the two Governments. Any significant blurring of the distinct roles operated by our two-tier system is unwanted, unwarranted and unacceptable.

There is huge potential for the development of the existing system but I will not have time to deal with that aspect of the issue.

We aspire towards quality. As well as having quality in the research departments of our universities and colleges we must aspire to quality in teaching. There is considerable recent anecdotal evidence that the quality of teaching by some college lecturers leaves much to be desired. This issue needs to be addressed. If we are to achieve the quality to which we aspire we must attach equal significance to the quality of our teaching as to the quality of our research departments.

We can realise all the objectives we like but if the excellence of our system is not underpinned by equity we will have failed the people we are mandated to serve. The current review must

tackle the issues of equity together with future funding, management structures and quality across all sectors and at every level within all sectors. The task seems daunting but one of the best independent teams of experts is available to help us chart that course. I look forward to its recommendations. When those recommendations, unpalatable though they might be, become available——

Mr. U. Burke: Does the Senator know something we do not?

Mr. Fitzgerald: ——we must all have the courage of our convictions and give them a fair hearing.

Mr. Quinn: I congratulate the Progressive Democrats on putting down this motion and on the wording of the motion. I welcome the Minister of State to the House. No amendment has been proposed to the motion because it would be difficult not to support it.

The Lisbon agenda is well worded. I compliment the Government on having chosen, as one of the themes of its Presidency, the revitalisation of the Lisbon agenda, which everyone else in the EU seems to have forgotten about.

At the same time it is necessary to put the rhetoric of this motion into a context of reality. From reading the motion one would think the Government was the champion of the university sector, was in the universities' corner and in their supporters' club, recognising their achievements, cheering them on to better efforts and supporting them with the resources they need to do the job. Nothing could be further from the truth. The truth is that the Government is systematically starving the university sector of the resources it needs.

Mr. U. Burke: Hear, hear.

Mr. Quinn: The Minister for Education and Science is engaged in what appears to me to be a vendetta against the universities. These are strong words. To hear the Minister speak one would think the universities are the problem whereas it is vital for the future of the country that the Minister sees them as part of the solution.

The problems of the universities are not of their own making. They arise directly from the fact that they are being starved of resources by the Government. Much of public administration is a battle for control, and education is no different. The Department of Education and Science appears to be composed largely of control freaks who have never been happy with the idea of a university as an autonomous organisation. The Department has refused to recognise that the autonomy of a university is one of its great strengths which should be preserved and nourished with the greatest possible attention. Instead, the Department has repeated

[Mr. Quinn.]

that mantra that the taxpayer pays and the taxpayer should call the tune, without realising the implications of that mantra. There has always been a power struggle between the universities and the Department of Education and Science and in recent times this has got worse. It has been attributed to the fact that those within the Department who sought to bring the universities to heel have, at last, found their Minister. I am pleased the Minister is not here himself. I admire him considerably and I was actively involved with him when he introduced the plastic bag tax. However, I am concerned about his apparent hang-up about the universities.

Does the Government really know what is going on? I find it hard to believe that a Government could coolly make a decision to cut back the university sector. This is what the Government is allowing to happen, whether it admits it or not. I do not wish to present this issue in personal terms, but it seems the attitude of the Minister is a large part of the problem. Deputy Noel Dempsey is a man of great ability and I admire him in many ways. He has strong convictions and does not lack energy. However, he seems to have a blind spot where universities are concerned. Last weekend the Minister made yet another speech which was extremely critical of the universities. He criticised the universities for the fact that their students are unrepresentative of society in general. He said, "The vast majority of funding for the third level sector comes from the pockets of ordinary taxpayers who will never set foot in a university, ever, even once in their lives".

The Minister appears to be holding the universities responsible for the national scandal of educational disadvantage. It is hard not to be taken aback by that. Either the Minister is being disingenuous or he does not know his subject. Every expert in the area and every report on the problem in the last 20 years have hammered home the point that the unrepresentative nature of the university student population has its roots in early childhood and in a disadvantaged background which hampers children from their first day at school. Every expert in the subject has pointed out that no matter how hard universities work at access programmes — I have experience of the hard work they do — they will have only a limited impact on the problem. The real problem must be attacked much earlier, at a stage which is the responsibility of the Minister's Department and not of the universities. If I may say so, the Minister's remark was a cheap shot. It was unworthy of his office and it does a great disservice to the hard work that is being put in by a very large number of people across the entire university sector to address the access problem as best they can.

Mr. Ryan: Hear, hear.

Mr. Quinn: We know we have a problem that needs to be addressed. That particular remark got to me and is symptomatic of the problems we face at present. The Government can call in the OECD and ask for its advice on what needs to be done to create a world class research driven university sector. However, it should not be surprised if the response from the OECD calls its bluff. I look forward to hearing from the Government when the OECD focuses on the real problem, which is that the Government is starving the university sector of the resources it needs to go on doing the excellent job it has been doing for many years. Part of the problem is that we wear two hats. The IDA goes out proclaiming the marvellous university and third level educational background of our young people in marketing Ireland as a location for investment. Yet, we are starving education, and not only the universities, of resources. This is in the hands of the Minister and I would love to see him committing himself to doing something about the problem.

Ms Ormonde: I welcome the Minister of State at the Department of Enterprise, Trade and Employment, Deputy Michael Ahern, and I congratulate the Progressive Democrats on tabling this timely motion on education. The Lisbon agenda sets out to improve competitiveness in Europe and good quality jobs are a priority, as the Taoiseach said at the spring Council meeting. In order to achieve this, we need to examine higher education. I congratulate the Minister on inviting the OECD to report on the role of education and the structures of higher education in Ireland.

In 1965 only 11% of the population went on to third level education, whereas today more than 50% of the population participates in higher education. Let us look at the growth and funding of the international student population. The number of educational institutions has mushroomed, with institutions in every major town. We need to take a planned approach to education and research and development in the third level sector. We need to consider what approach we should take to teaching and learning.

We must have a new structure to meet the demands of society. What has changed in the past two decades in higher education in terms of access and participation, lifelong learning, subject mix, availability and distribution of courses, research performance and contribution to society? There are no changes taking place in higher level education. Models will have to change if we are to measure performance and funding will be needed to deal with the outcomes.

We are having major discussions on access to education. I think it was Senator Dardis who questioned the points required to get a place in veterinary, radiography or medicine and whether a student must achieve 575 points, close to the maximum, to do medicine. We have very noble people in these professions, but we have to look

at access as well as training and new teaching models. We have to look at the individual learner and how he or she is participating in higher education. The OECD will have to see how best to match funding with the outcomes expected by society in this millennium.

We have to consider duplication and whether the institutes should be offering various courses or engaged in research. Should we rationalise to make optimum use of the potential? Should we second people in the institutes to carry out research, although not necessarily every institute should be engaged in research and development?

There is a great deal to be looked at and if we do not do it, how will we have a vision for the future? I do not understand why anybody is objecting to this move. We need a new vision before we can bring forward a new model for funding. It is absolutely necessary and the OECD report will be the basis for discussion in the future. There will be accountability for performance and funding. We have to have quality assurance that all the courses on offer are validated and that with increased social mobility, course content and qualifications are recognised throughout Europe. We cannot be a knowledge based competitive economy unless we put resources into our students to achieve success. We are renowned for high academic achievement, but the outcomes need to match the funding.

Higher education will be required to be transparent and accountable and I hope when the OECD publishes its report it will endorse funding for the way forward. I would not ask for funding until I knew how the money would be spent and that the accountability and transparency of the education system and how teachers may be moved from one area to another had been examined so that we will be a competitive knowledge based economy by 2010.

Mr. Ryan: I am glad we are having this debate, however brief, because what is happening in higher education, particularly in the context of Senator Quinn's contribution, deserves more attention. I share his view that the Minister's attitude to the universities is destructive, negative, unhelpful and the antithesis of what one wishes to be the outcome of the review. One can wish for all the wonderful things in higher education, with which I agree, but the Minister delights in taking cheap shots. The cheapest of cheap shots is the suggestion that somehow it is the universities' fault that levels of participation by disadvantaged groups is less than we would wish when pre-primary, primary and second level education is underfunded. Where one has underfunded primary, pre-primary and second level education with the generous distribution of State funds to fee-paying second level schools, the privileged, pampered children of the rich will be able to buy the quality of second level education which will guarantee their presence at third level.

Whoever is at fault for that, it is most assuredly not the universities.

While I am not an unqualified admirer of the universities, the line the Minister for Education and Science is adopting is the most manifest nonsense. Since arriving here more
6 o'clock years ago than we need to elaborate on, I have been an advocate of spectacularly increased investment in research. I have not simply been an advocate of the focused research much beloved of some State bodies, I believe we must invest heavily in fundamental research which does not have a clearly demonstrable, immediate commercial benefit. We must accept that by its nature fundamental research will not have commercial spin-offs in the short term.

We must be very careful when talking about the universities of the USA. While the USA has some of the best universities in the world, it is also home to a considerable number of the worst. We should be very careful to ensure we do not end up aping a model which gives us the worst of the US system without any of its quality. A former lecturer of mine in UCD, Dr. Paddy O'Flynn, addressed one of the nonsenses of the HEA in a short letter to *The Irish Times* when the issue of privatisation of some of our universities first arose. He pointed out that it was not Harvard's private status which made it so successful, it was its extraordinary wealth of the order of \$30 to \$40 billion in endowments. With that sort of money, it does not matter if a university is public or private. While they are fine institutions, we will not succeed in turning any of our universities into Harvard or Yale unless we undergo 100 years of prosperity during which a long list of benevolent philanthropists appears seeking to donate large amounts of money. We had one Mr. Chuck Feeney, but we will not get another one. He did a fine job while he was in the humour to do so.

I have one reservation on the motion, which disappoints me. Senator Minihan may correct me, but on examination, it appears largely to rehash the introductory paragraph of the Government's terms of reference for the OECD review. The word "teaching" is not mentioned in the motion at all. I was careful when I stated that I recognised the importance of research in third level education. We have a system of third level education in which there is no formal preparation of teachers to teach. When the RTCs were established, the steering committee responsible recommended that every person recruited to teach in the colleges should undergo a training period. The Department of Education and Science dropped that requirement, presumably, because it was too expensive to implement. People are being asked to teach who have never been trained to do so. Anybody who suggests that people who were never trained to teach should be evaluated 25 years later on the basis of their ability to do so is being profoundly unjust.

[Mr. Ryan.]

Most of us in the sector have learned how to teach the hard way. Nobody showed us how. I have supported the universities which have tried to a degree to create a mystique of research according to which it is suggested that in the absence of a high-powered research function, an institution will not be in a position to teach undergraduates adequately. If no research were being conducted anywhere, that would be true because no change or improvement would occur. The argument that fine researchers in a Department make for well taught students is wide open. The Accreditation Board for Engineering and Technology in the United States of America has begun to signal that the obsession of universities with the generation of publications has caused them to neglect the teaching function. In the case of my own profession, the board has argued that while this practice has produced engineers who are extremely highly qualified academically, their skills are of little relevance to the work they will do on leaving college.

I am seriously concerned about the issue of quality assurance, not because I disapprove, but because we may find ourselves rediscovering the wheel. A considerable amount of quality assurance is in place at every level of performance.

While the HEA places us in the third band of those countries in which public funding of higher education is below 80%, the Department of Education and Science, interestingly, states that figure is closer to 90%. It is disturbing that the HEA and the Department cannot agree about how much money we are spending. A good number of the European countries in which the public sector contribution to higher education is higher than ours are those which are identifiably more competitive than us. We would be extremely well advised not to allow the deceptively low figures of the USA, Canada and Australia to lead us along a certain route.

The Democrat candidate for the US presidency, Mr. John Kerry, has adopted in his manifesto the aim of making college affordable for working families once more. US universities have been removed from the spectrum of ambition of working families.

Dr. Mansergh: I am very glad to have the opportunity to contribute to the debate on this motion and I congratulate the Progressive Democrats for tabling it. I declare an interest in that at least five members of my family are directly involved in university education while my father was a university professor for most of his life.

I regard education as a Government and infrastructural priority which is second to none. If I had to, I would put it ahead of roads and transport.

Mr. Ryan: Hear, hear.

Dr. Mansergh: I would even put it ahead of health. If one had to pick one key to our future, it would be education. We must be conscious that a debate is under way all over the western world, certainly in western Europe, on the funding of third level education. The point must be made before we discuss where we are that enormous progress has been made, particularly over the last 15 years. There has been a significant expansion in third level education since the late 1980s. It is not only thanks to the HEA, but also, partly, to Mr. Chuck Feeney that we have seen a great many new buildings built on practically every campus in the country over the last four or five years. It is difficult to find one's way around. We have upped our game considerably.

Under discussion are profound problems, but there is also a short term issue. Last year the Minister obtained a substantial increase in maintenance grants. It was essential to resume full funding of research. Both of those factors led to a considerable increase in funding for third level education. Unfortunately the day-to-day functioning of third level took the brunt in order to satisfy the Department of Finance. Stop-go funding whether it is on research or on day-to-day funding of universities, is not a good way to proceed but I certainly hope that by next year at the latest, that dip will be restored.

I am a little puzzled to hear talk about third level education today being elitist. If there are between 40% and 50% of the age cohort attending some form of third level education that is not my definition of elitism. If the figure was 10% that would be elitist. On average, those who go into third level education will be more advantaged than those who do not. I accept that and I accept that ways and means are needed to broaden access. We have broadened access hugely, simply by moving from 10% to almost 50% attendance over the past 40 to 50 years.

There was great debate here last year about reintroducing college fees. Whether we like it not, and I will not go back over the history of the introduction of free fees or something close to free fees, if one discounts the registration fee, the middle class pays most tax.

Mr. U. Burke: It was a sorry saga.

Dr. Mansergh: It is a little bit like water charges, property taxes and so on. There may be a good theoretical case for introducing the various charges but the reality is we are a democracy and we have to pay attention to what the people want. It is clear the people want us to manage. They would take the view that they are paying for third level education largely through the tax system and they do not want to pay fees as an extra tax.

What worries me is the relative insecurity of many who work in universities, particularly the younger people at lower levels. If one is in cutting edge scientific research one may be reasonably well funded. I had a daughter who was funded

by the Wellcome Foundation when she was doing doctoral and post-doctoral research. There are many who live on relatively short-term contracts with no certainty that they will be renewed. We are talking about competitiveness. If we want very good people to staff our universities we have got to find ways of rewarding them and I am not convinced we are doing that. There is much talk about the need for accountability, transparency and so on and I agree with that up to a point but we do not need a total bureaucratisation of universities. I do not want to see a good deal of money for third level education going into third level bureaucracy. I know from relatives who work across the water that they spend far too much time filling in forms, satisfying reviews and so on. I take Senator Ryan's point that quality in teaching is equally important to quality in research. Both are needed but they are not always found in the same person. Both are necessary within departments.

Mr. Cummins: I welcome the Minister of State at the Department of Communications, Marine and Natural Resources, Deputy Browne. Like my colleague, Senator Ulick Burke, I am disappointed the Minister or the Minister of State did not see fit to come to the House and listen to the debate. It is unprecedented that we have had four Ministers here in the first hour of the debate. I wonder who will reply to debate or if there will be a reply.

An Cathaoirleach: The proposer will reply.

Mr. Cummins: I wonder whether the Minister will make any comment on it. It is obviously a sleight to the Progressive Democrats or else a complete lack of interest by the Minister in the subject under discussion. He has shown that on a number of occasions recently.

Mr. U. Burke: The tail is no longer wagging the dog.

Mr. Cummins: I welcome the motion. I listened attentively to Senator Minihan who asked some pertinent questions. One wonders whether his party was in Government for the past six years given that he has not got the answers. He made some valid points but I wonder what impact the Progressive Democrats has had on the education system, other than preventing third level fees, a battle it won hands down.

Dr. Mansergh: I take it that is support for the Tánaiste.

Mr. Cummins: There is no question about the battle the Progressive Democrats won in that regard.

Dr. Mansergh: Support for the Tánaiste for research would be——

Mr. Cummins: There has been an increase of approximately 74% in registration fees which probably compensates. In 2000, the EU leaders set themselves a goal that by 2010 the EU would be the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. They also wished to redress the position where EU universities have less financial resources than their equivalents in major competitor countries and also to invest 3% of GDP on research by 2010. That was the Lisbon agenda. However, given the considerable funding difficulties that Irish third level education faces, it is difficult to see how these objectives can be met, especially within the challenging timescale of the Lisbon agenda.

Although the Government frequently repeats the mantra that Ireland must become a high-tech economy with special emphasis on research and development, comparatively we lag way behind other countries with which we are in direct competition. The following statistics illustrate the point. Ireland is ranked 16th out of 28 countries in terms of spend on third level relative *per capita* GNP; 17th out of the 28 countries in terms of expenditure on educational institutions per student; and 10th in terms of cumulative expenditure per student over the average period of third level studies. Expenditure per third level student in Ireland is significantly lower than comparable expenditure in top ranked OECD countries. For example, it represents 54% of the spend of the US, 60% of the spend of Switzerland and 73% of the spend of Norway. We spend 1.5% of GDP on third level education compared with 2.7% for the US and 2.6% for Canada and Luxembourg, the top ranking countries. We spend only 0.3% of GDP from private sources on higher education compared with 1.9% in Luxembourg, 1.8% in the USA and 1% in Canada. Ireland's universities have a higher student-teacher ratio than universities elsewhere — we come 16th out of 20. These are damning statistics on third level education in Ireland. It is timely that the OECD should carry out this review and we look forward to its results.

Our universities and institutes of technology have played a major role in Ireland's economic achievements and the broader social development of the country. This role was accelerated in the 1990s when the third level sector was frequently spoken of as being the guardian of Ireland's future economic growth and security. This is an onerous responsibility but the universities and institutes should not be starved of funding as they are at present, as outlined by Senator Quinn and others.

Ireland has suffered considerable funding cuts in recent years which go to the heart of this sector. For instance, the Farrell Grant Sparks report on future funding of the Irish university sector shows that funding to universities fell by €1,240 per student in real terms between 1995

[Mr. Cummins.]

and 2001. Moreover, the failure of the Government to provide any increase in funding for universities in 2004 is tantamount to another 10% cut in funding levels, equivalent to €800 per student. Funding issues, therefore, are of critical importance to the future of third level education and ways of increasing funding must be considered.

Trends in the third level sector point to the increased importance of promoting enterprise and fostering research in our universities and institutes of technology. We need to enable the sector to respond quickly and innovatively to change and allow it to build relationships with business and enterprise, where such relationships will benefit both parties. In short, we must ensure the third level sector is given the tools it needs to cope with the demanding responsibilities placed on its shoulders.

We must not lose sight of the fact that education is a process not a commodity. It benefits the individual and society as a whole in all sorts of ways that are not necessarily quantifiable in terms of our national balance sheet. There will always be a need for those with broad and well rounded qualifications as well as those with specific competences. I commend the motion, notwithstanding my reservations, and I look forward to the OECD report.

Mr. Bradford: I am glad the Opposition is keeping Senator Minihan's motion alive.

Mr. Minihan: I might join the Senator on his side.

Mr. Bradford: I welcome this timely and useful motion which allows Members to debate a matter of substantial public importance. It was a man from Mallow, Thomas Davis, who coined the phrase "Educate that you may be free." In today's Ireland, that phrase became "educate that you may be employed", and then "educate that you may employ". The concept of education has changed greatly and the future of the Ireland and its economy is dependent on the quality of education.

The motion refers to the Lisbon agenda, the European agreement to ensure that Europe will develop and grow into a successful, knowledge based economy. At a meeting of the Committee on European Affairs last week, there was an interesting discussion on the economic challenges facing the European continent as well as on the Lisbon agenda. I was struck by the present decline in the European population, which makes the continent in a sense the old man of the world. The issue of population is its major current challenge. The experts who attended that meeting made the point that the short-term solution is increased productivity and increased migrant labour. Nonetheless, the declining European population is an issue which would be worthy of debate here on another occasion.

I concur with the views of Members from all sides in regard to the motion, on which there is no question of a political divide. We should aspire to having every second level student move on to third level, which is no longer the stuff of dreams. In the late 1950s and early 1960s, it was inconceivable that every primary school pupil would move on to second level education. A political decision by the former Minister, Donogh O'Malley, to make second level education free changed the concept of education and opportunity. It quickly became the norm rather than the aspiration that all would attend second level. The plan of the Government must be to bring about a situation where every second level student will not just have but will take the opportunity to move on to third level. This will require funding and investment.

The only real debate on education over the past 18 months was on the issue of fees. It was often an emotional debate in which a heavy body of evidence could be presented on both sides. However, once the decision was taken in the mid-1990s by the former Minister, Ms Niamh Breathnach, that fees in the conventional format would not be paid, there could be no going back because the public would not accept any reversal.

The public recognises that even with free fees, education costs must be paid for. It is a question of where the investment comes from. Senator Cummins referred to the need to secure private investment and to have third level colleges and institutes work closely with industry and business, which is a wise analysis. We should not make education ideological. There is a tendency when discussing third level education and the possibility of funding from the private sector for research and development, for alarm bells to ring for a number of people. They see it as a dangerous step towards the privatisation of third level education, which is neither fair nor accurate. Taxpayers and Government can only contribute so much and we must look beyond them for the extra investment which will be required.

I am not an expert on the subject and take note of Senator Mansergh's contribution, in particular his comments on the funding of research, which is of critical importance for ongoing economic development. That this motion is before the House and that the Minister has requested a review must be welcomed. I note comments from a former Taoiseach, Dr. Garret FitzGerald, on the broader aspects of funding and payment, and such interventions and ideas are to be welcomed and, I hope, utilised to some degree.

It is the aspiration of every Member to have the level of funding required in the educational system, particularly at third level, in place for research and ongoing development. We should not work from the old-fashioned ideological stances of left and right. We must see the broader picture of investment in education, funding and research. This will be similar to the social partnership — all sides will be required to come on board and play their part. When the report

comes back we will have a chance to study the options and while there may be difficult political choices to be made, it is the job of politicians to make those decisions.

Mr. B. Hayes: I am pleased to contribute to the debate and I support the motion. We give lip service to the notion of access to education but I wish to raise the issue of adult education. Our focus on third level education is obsessed with those aged between 18 and 21. That is where funding and support are focused. If one adds up the total amount in subvention given by the State to an 18 year old who goes to college full-time, it is approximately €80,000 when one considers tuition fees, ongoing investment in the capital programme of the college and so on. However, there is not a cent for someone who leaves school at the age of 18 to go to work but decides, at the age of 25, to go back to education for a specific work-related course. I have come across countless examples of people of 24 or 25 years who want to go back to education either full or part-time but there is nothing for them. There is complete disparity between the funding given to 18 to 21 year olds and everyone else.

Everyone should be entitled at birth to an educational credit, money allocated to them by the State, which they can use at any time because our obsession with 18 to 21 year olds going to college is completely unfair. The review should focus on adult education, on how those in work can get back to education and on providing supports for those people. I specifically propose that every citizen should be given an educational credit they can use at any time of life, whether they are aged 60 or 26. The review should address this issue.

The funny notion which equates success with going to college should be challenged. The notion that everyone should go to college is bizarre, as is the idea that if everyone wants to go to college it shows how developed is our society. I was lectured in sociology by the very eminent Fr. Micheál Mac Gréil, who wrote *Prejudice and Tolerance in Ireland* before writing *Prejudice and Tolerance in Ireland Revisited* 20 years later. He said that if students wanted to know who they were going to marry, they should look beside them because education in Ireland was a form of class endogamy. He said students ended up marrying those sitting to their left or right in lecture theatres and he was right.

The middle class want to send their children to college because it is perceived as the successful route. It puts terrible pressure on people at 17 or 18 years of age to think that success for them, their family and their peer group is solely related to going to college. That does not lead to rounded individuals at all because people have no choice. The big determinant about going to college is neither fees nor the level of support offered to young adults, but peer group pressure. Huge pressure is put on people in pockets of Dublin because all their friends are going to college.

They have no choice and if they do not get the particular course they are looking for then, they must do another year in school to get even higher points. Terrible pressure is put on children to get to the best colleges.

This works the other way also. I recently spoke to a constituent from a disadvantaged area who told me he left college primarily because he was slagged every time he went back to his own community. People in that community were not used to their children going to college and life was made difficult for him.

I have never bought the fees argument. Even if one brought back tuition fees one would do nothing for access to education because the big driver is peer pressure — the expectations of one's peers and parents about where one will end up. There is an educational snobbery about college in Ireland which is most unhealthy. Some of the best courses at the cutting edge of industry are in the institutes of technology, which have never received the recognition they deserve. This should be examined in the review.

The university sector has done very little to help children from disadvantaged communities get to college. Trinity College is right next to some of the most disadvantaged communities in the country, but what has it done to get children from those communities, a stone's throw away, into Trinity? Lip service is paid to disadvantage. I am aware of some access programmes being put in place but the university sector, irrespective of the Government, has an obligation to help children from those communities to stay in college. We should accept that one of the real reasons people leave college is because they are not socially accepted and because college is the preserve of the middle classes, to go back to the argument of class endogamy.

The universities have a huge role to play in reaching out to communities and in giving real supports to children from those communities who want to stay in college. Much of this comes down to attitudes in the university sector and I hope some of these points are taken up by the review group. I support the meritocratic approach to education. Those who want to go should go, but people should not be forced into education. Some of the best brains in Irish business never went near third level education, thank God, and that is one of the reasons they are so successful. We should not get hung up on the notion of success being equated to participation in college. I ask the OECD to consider that point.

Minister of State at the Department of Education and Science (Mr. B. Lenihan): I am pleased to give the Minister for Education and Science's position on the motion. I will focus on the Government's commitment to the development of our higher education sector with a view to the realisation of the agenda set for the EU in the Lisbon strategy. This commitment also dovetails with the theme the Minister has chosen

[Mr. B. Lenihan.]

for our education Presidency, Building an Inclusive and Competitive Europe.

Higher education in Ireland is in a period of transition. The sector has undergone massive growth over the past few decades from a time in the mid-1960s when it was an elite system with less than 20,000 students enrolled. The development of the institutes of technology and major advances in participation rates have been matched by huge increases in public investment in the sector over recent years.

The massive growth in numbers participating, from approximately 40,000 as recently as 1980, to over 130,000 now, and the associated public funding investment was a hugely significant factor in the Irish economic success story of recent years, with the availability of a highly educated workforce being recognised as a key attraction for inward investment.

The world moves on and we need to ensure our higher education system is both responsive to and leading change in the world around it. Economically, we now face new challenges, most fundamentally through the need to achieve a successful transition to the knowledge and innovation society that is key to our future competitiveness and prosperity. The higher education sector and our capacity to produce leading edge research will be central to that transition.

In social terms, Irish society continues to evolve rapidly. Education is a key instrument in achieving broad social cohesion objectives and there are particular challenges for the higher education sector in achieving greater rates of participation from the traditionally under-represented and socially disadvantaged sectors in our communities.

These converging strands, including future competitiveness through the development of our innovation capacity, greater equity of access, quality and levels of participation present challenges that are many and varied. However, it is not enough to state objectives. If Europe is to achieve the goals it established at Lisbon we must be prepared to take action and to pinpoint exactly where change is to be embraced and the old order disturbed.

It was in the context of these strategic goals that I invited the OECD to conduct a review of higher education in Ireland. The review team has just spent two weeks in Ireland engaging in a wide consultative process with all of the key stakeholders both within the sector itself and in the wider economy and society. Peer review is critical if we wish to achieve the goals that we share with our partners across Europe. The OECD review will provide us with an international reference point for the Irish higher education system as we move forward towards our shared aims. The team that has just visited us brought an unprecedented wealth and spread of expertise to their task. The selection of such a high powered team is indicative of the OECD's

appreciation of this Government's recognition of the fundamental importance attaching to the development of higher education.

The outcomes that emerge from this review will be important in shaping the future contribution of our higher education system to achieving the goals of the Lisbon agenda. However, it is important we do not lose time in working towards those goals. A key area of policy concern surrounds the identified aim of increasing the numbers of highly skilled graduates, in particular in the fields of science and technology. In order to achieve this, the recommendations of the task force on physical sciences are being implemented as resources allow and we are beginning to make good progress.

From first to fourth level, it is absolutely crucial that future policy development and implementation must strongly focus on the development of skills in science, technology and engineering. This objective has been a key catalyst for much of our education policy over the last three years. While the OECD Education at a Glance report for 2001 indicates that Ireland is ranked in first place in terms of numbers of science graduates at university level, we cannot afford to be complacent. All of us with an interest in Ireland's future economic development will appreciate the importance to our future competitiveness of ensuring the numbers participating in the sciences at second and third levels are maintained and increased.

Important progress has now been made in regard to curricular reforms at leaving certificate, junior certificate and primary level, all of which are being or have been supported by national in-service programmes for teachers. We have made substantial grants available to schools at both primary and post primary level, including a capital grants programme for senior cycle science ICT and science equipment and a once off grant scheme to assist with the implementation of the junior certificate syllabus which will cost approximately €12 million. More than €10 million in equipment and resource

grants were received by schools between 1999 and 2002. ICT integration projects in teaching and learning have been developed under the schools IT initiative and a new SCOPE initiative has been developed in partnership with RTE, the NCCA and the National Centre for Technology in Education.

Furthermore, reviews have been undertaken on mathematics, the grading of subjects in the leaving certificate, gender equity issues in science, and initial reports on teacher training. There have also been developments in foundation, bridging and progression measures to promote access to the sciences at third level.

These are key developments in ensuring we continue to develop a scientifically literate population for the knowledge economy of the future. It is equally important, however, that the lifelong learning needs of our adult population

are addressed if our full economic potential is to be realised. Overarching all of the improvements taking place in the education sector is the development of a national framework of qualifications by the National Qualifications Authority, which was published in October 2003 in response to a key recommendation of the taskforce on lifelong learning. This is a significant step which will improve access, promote flexible assessment and accreditation processes and enhance mobility across the further and higher education and training sectors. In this era of lifelong learning, issues of access and certification should be clear for all citizens and a seamless web should exist for learners throughout their lives to have the maximum opportunity for access to education.

Producing high quality science and technology graduates in the numbers required is one task. A further challenge for Europe is to retain these skilled workers within the Union. In January, *Time* magazine, in an article on this subject entitled "How to Plug Europe's Brain Drain," gave due credit and recognition to the fact that "the Irish Government has put a new emphasis on science, especially the kind that can benefit the rest of the economy". It is heartening to receive that kind of international endorsement for our policies. The article referred in particular to the developing role of Science Foundation Ireland, which has seen its funding grow by 62% in 2004.

Science Foundation Ireland is one element of Ireland's rapidly developing research infrastructure. This infrastructure, which is key to our future prosperity, relies on the higher education sector at its epicentre. In this context, the programme for research in third level institutions, PRTLTI, which is developing the capacity to support institutional research strategies is critical to our future strategic development. In a move welcomed by all key stakeholders my Department has resumed capital funding under cycle three of the PRTLTI in 2004. This programme has already had a profound impact on our research environment with more than 800 researchers being funded in our universities and institutes of technology and 62 research programmes in 33 new research centres in place. It has placed a major focus on inter-institutional collaborative programmes and interdisciplinary research. Separate programmes of support are also provided for the two research councils, namely, the Irish Research Council for Science Engineering and Technology, IRCSET, and the Irish Research Council for the Humanities and Social Sciences, IRCHSS, the technological sector programme, HEAnet and the North-South research programme. By developing infrastructure and building capacity in the higher education system, PRTLTI is facilitating and enabling investments from a range of other sources, including industry. These synergies are imperative for the long-term development of the economy.

There is still a long road to be travelled by the Government so the commitment of funding to research and development is ultimately translated into the successful achievement of the Lisbon and Barcelona goals. The Barcelona target of 3% of GDP spending on research and development by 2010 is extremely challenging for governments and the private sector across Europe and points to a need for sustained shared efforts on a collaborative basis.

This is one element of the funding challenge facing higher education, both in Ireland and elsewhere in Europe. In Ireland, the proportion of moneys received by the universities from the State is now higher than ever before, averaging approximately 80% of public funding. Public expenditure on higher education has proportionately increased by 77% since 1997 and is among the highest in the OECD countries. I do not say that to decry the value of higher education. All taxpayers in this country are therefore making an enormous contribution to the higher education system, yet it remains the case that too few from the low socio-economic groups are enjoying a return on this public investment. It is imperative that we address this basic inequity. This is obviously important in social justice terms but also in terms of maximising the human capital potential of our population.

Higher education institutions must also acknowledge their accountability to the taxpayers, who are entitled to expect certain parameters of performance in return for the considerable public investment being made. As well as equity of access and relevance to economic needs, the institutions must be able to display a strong commitment to lifelong learning and standards of excellence in teaching, research and learning.

If we are to develop in line with our ambitions, we must address the difficult issue of future funding for the sector. We cannot afford to curb expansion in order to save money. We cannot increase the proportion of public money going into the third level sector at the expense of the rest of the education sector or at the expense of other sectors, such as health. Therefore, we must look at other ways of funding expansion that may involve increasing the private resources going into higher education.

It is important to raise the level of debate to include those questions and others relating to the dual roles of higher education, research and scholarship and how they can all be balanced in the development of this sector. The OECD review of higher education in Ireland has considered all those issues. Each step forward in addressing them will bring the Government closer to its common strategic role of making the European Union the most dynamic and competitive knowledge-based economy in the world by 2010.

I thank the Members of the House for the contribution that they have made this evening to

[Mr. B. Lenihan.]
this important debate, and I commend the motion to the House.

Mr. Minihan: I thank the Minister of State for coming to the Seanad and placing on record the views of the Department of Education and Science. It is interesting that some of the previous speakers were critical that there was not going to be a speech from the Minister of State, and I hope they will take time to read it, as it might address some of their concerns.

Mr. B. Hayes: Fascinating stuff that it is.

Mr. B. Lenihan: Learning is always difficult.

Mr. B. Hayes: Will the Minister of State explain what a seamless web is?

Mr. B. Lenihan: If Senator Brian Hayes wants to know, it is something to do with policy.

Mr. Minihan: The motion was tabled in the hope that it would afford Members of the House an opportunity to make known their views, which, it is to be hoped, the OECD review group would consider and take on board. I welcome the fact that the motion has not been opposed, but I am somewhat disappointed that many Members, particularly in the Opposition, did not avail themselves of the opportunity to speak to the motion, stick to the terms of reference or put on the record the changes they would like to see. A review is a review, and for Members to stand up in the House, defend the *status quo* and say that everything is rosy because they are on the Government benches was to waste an opportunity as it was for the Opposition to come in and attack the Government on one area — insufficient funding.

Some Members made valuable speeches, and I will go through some of the comments made. I mentioned, and a number of Members highlighted, the roles of teacher and researcher. We must be careful that we do not undervalue teachers and overvalue researchers, because the teachers will give us the researchers of tomorrow. I am also disappointed that we did not hear the Fine Gael proposals on governance, which is a much debated issue at the moment.

I thank the Members who spoke. I do not agree with those who said that the Government has a vendetta against third-level institutions. There is no evidence to support that. On the contrary, the evidence clearly states that we place a huge value on education. I agree completely with Senator Mansergh on how important education is for Ireland's future and how high a priority he would make it.

The Government's invitation to the OECD to review education is an admission of how important the Government considers education to be to the future of Ireland and its economy. The OECD review in the 1960s shaped the future of education in the country, and as the Minister

of State said in his speech, the time has come now again for a review. There is no doubt that there is huge change in our approach to third-level education, and it is timely that Ireland be reviewed by outside experts who will give us food for thought.

I look forward to the debate on the publication of the review and I hope that, when we come to debate it, we will consider the future role of higher education, the strategic management and structures, teaching, research and development and how we invest in and finance our educational system. That is the purpose of the review, and I hope that we will learn from it.

Question put and agreed to.

Sitting suspended at 6.55 p.m. and resumed at 7 p.m.

Aer Lingus Bill 2003: Second Stage (Resumed).

Question again proposed: "That the Bill be now read a Second Time."

Mr. Morrissey: I welcome the Minister of State to the House to discuss the Aer Lingus Bill 2003. It has come as a great shock to Aer Lingus that it must operate in an ever-changing business environment. Gone are the days when the airline could operate with certainty. Changing times have demanded that airlines, and, more important, national airlines like Aer Lingus, are properly equipped with a business model which can cope with market forces. Thankfully, Aer Lingus is no longer allowed State investment under EU rules when in crisis. However, it needs investment, which will have to come from the marketplace rather than from national Governments as was the case heretofore.

Aer Lingus has dramatically turned around its fortunes over the past three years. Just three short years ago, it was facing bankruptcy and looking over its shoulder for a State handout. While being forced with the stark choice of going under or changing its structures to meet more demanding times, Aer Lingus and its staff have enjoyed a profitable existence in the past two years. I hope this will also be the case next year. However, it must be allowed to fund the resources necessary to cope with a demanding future. The 14.9% employee share option is to be welcomed and is a recognition of the commitment of the staff and management in recent years. In the coming years, Aer Lingus will have to cut costs further to continue in existence.

I recall a presentation to the Oireachtas transport committee 12 months ago by Aer Lingus management. They put forward a model of reducing costs as a way forward. Indeed, they made the presentation as if it were a new type of business model. I reminded them the model was in existence for many decades in the private sector. As I said at the outset, I believe it has come as a great shock to them that they must

operate in this new business climate. I reminded them also that were it not for 9-11 and the food and mouth disease, they might not have come to this sudden realisation and the Government would be continually bailing them out. They agreed at the end of the debate that this was the case, that 9-11 was a great realisation and a sudden shock when they saw other airlines going under.

The figure of 14.9% is being proposed because of a precedent in the ESB and Eircom. I sincerely hope Aer Lingus will be able to cope with the advent of the open skies policy, which will bring great benefits to the country. It should allow Aer Lingus the opportunity to explore new markets and new customers. An unfettered Aer Lingus, under its existing management, will be leaner and fitter to operate in the next decade. The only certainty that faces the company is an ever-changing marketplace for more travel and cheaper fares. Aer Lingus has woken up to a new reality. Let us hope it will continue in that vein and that the passing of the Bill will assist it.

My party and I sincerely hope the Government will allow Aer Lingus to manage its business unhindered by Government policy. The Government cannot have it both ways and allow Aer Lingus to enter the private sector, yet tie one of its hands behind its back by saying there are national strategic interests involved. I recall the Progressive Democrats national conference last year when the chief executive, Willie Walsh, made an admission that Aer Lingus had been ripping off its customers for years. It was a brave admission, which went unnoticed by many people. It must be asked how that was allowed to go on for so many years. It was allowed because of a lack of competition and because Aer Lingus was able to look over its shoulder for Government investment. It was allowed to have a huge workforce because it did not have to be competitive. The future demands that it enter the private sector but I hope Government policy will not hinder it that future.

Mr. Higgins: Like other speakers, I welcome the Minister of State, Deputy McDaid, to the House. I support this good Bill, which was in gestation for a considerable time. I vividly recall being opposite the leader of the House in the Dáil when she was Minister for Public Enterprise. The Aer Lingus Bill had gone through the Seanad and had to be abandoned because of 9-11. At the time, the outlook for Aer Lingus could not have been more bleak. Airlines were falling like nine pins all over the world. Some much larger carriers in the world, which ten years previously appeared to be even more viable and profitable than Aer Lingus, went to the wall literally overnight. The Minister's hands were literally tied from the point of view of putting together any kind of rescue package because of EU rules and regulations.

Ms O'Rourke: Commissioner Palacio is now saying she would like to consider airlines. She changes her mind pretty handy.

Mr. Higgins: She certainly could not have been more rigid than she was at that time.

The 14.9% employee share option is excellent. We do not know whether it will be used as a carrot to induce the staff of Aer Lingus to accept privatisation, but it is a good principle.

The new pension arrangements are very welcome. Section 3 of the Bill relates to the power of the Minister to sell or dispose of the Minister's shares. I worry to some extent about that because the Minister does not have to return to this House with separate legislation.

After Eircom, I do not know about the attractiveness of the sale. It does not seem to be as gilt-edged as Eircom looked at the time of the grandiose promotion to sell the company to the public. Of all businesses to try to sell, something in the airline industry is probably among the more risky offers one could put on the market. The question of saleability will have to be confronted on another day. At the end of the day, the Minister is the main shareholder.

Tributes have been paid to Mr. Willie Walsh, the chief executive of Aer Lingus, and rightly so. He has performed a miracle. He has brought Aer Lingus to the stage where it now competes directly with Ryanair, the other main Irish operator. That is a good thing. Senator Wilson said it is worth paying that little bit extra to Aer Lingus rather than to the airline he did not name. Aer Lingus is cheaper on a number of routes. If one goes to *aerlingus.com* one can sometimes get better value than one would get from its main competitor.

Ms O'Rourke: I do not know why the Senator cannot utter Michael O'Leary's name.

Mr. Higgins: The sale of Aer Lingus will undoubtedly cause concern. Ryanair, Mr. O'Leary's operation, does not have transatlantic flights. Ryanair cherry-picks the profitable lines and makes a good job of it, with profit as its motive. We do not begrudge the company its success. Regarding the transatlantic routes, it is crucial, as Senator Wilson said, that we have an airline which can guarantee direct access to Ireland rather than offer flights via Heathrow or Paris with connecting flights to Ireland. That is one of the reasons I have some qualms about the sell-off of the airline.

We must give credit to Mr. Willie Walsh, the management, pilots, cabin crews, ground staff and handlers. Everyone tightened their belts. I recall that when the crisis arose, I was taken to Liberty Hall to be confronted with people who were absolutely frantic regarding the future of the airline. In the space of two or three years, Mr. Walsh has taken the airline by the scruff of the neck. It is leaner, tighter, more effective and

[Mr. Higgins.]
more efficient, and overall it is giving a better service.

I will address the Shannon issue. It came as a bombshell last week when, on top of the redundancies already announced in Shannon, we learned that some 30 to 40 cargo and maintenance staff faced job losses. We have already had a cabin crew reduction at Shannon. Of the 45 staff let go, 29 who are rooted in the mid-west with families are now being asked to move to Dublin. This is decentralisation in reverse. We saw the announcement in the newspapers last Saturday that another 102 Aer Lingus staff are to go. Aer Lingus and Shannon have been synonymous long before Aer Lingus and Dublin became synonymous. Particularly with regard to the transatlantic routes, Aer Lingus and Shannon were inextricably entwined. The Minister for Transport, Deputy Brennan, now seems to be downsizing the operation at Shannon. The consequences for the mid-west are obviously catastrophic. The Minister wrongly said that tourists who come through Dublin all go to the west and the mid-west; they do not. Some do, but when one has a guaranteed direct transatlantic route into Shannon, tourists will at least start in the mid-west, perhaps go to Killarney, possibly up as far as Galway, hopefully as far as Mayo, and at least tour along the west coast. If everything is to be channelled through Dublin, we will get only a dribble of tourists in the west and mid-west regions.

For two reasons, we need a clear and decisive policy on the survival of Shannon. First, Shannon has served this country well. Second, an IBEC report was published this afternoon which was devastating regarding the neglect of the mid-west region. It showed that of the 102 industries in the region, very few had grown and not a single additional job had been created there in the past ten years. That is obviously a dire situation and if one removes from the equation one of the main arteries of development in the mid-west region, namely Shannon, with its potential growth, the job consequences will be considerably worse. Instead of Shannon being downsized, Aer Lingus should be working in co-operation with all the commercial and tourist interests in the region in an effort to grow Shannon so that it can realise its potential as a hub of major development.

Last night, in response to a debate in the other House, where this matter was addressed by Deputy Pat Breen and Deputy Jan O'Sullivan, the Minister of State, Deputy McDaid, did not give much grounds for optimism regarding Shannon's position, or where it is going.

Minister of State at the Department of Transport (Dr. McDaid): I do not think the Senator understands the point. If we pursued the Senator's point, Shannon would have no future because of the EU-US debate that is ongoing. The Senator is trying to leave us outside, suggesting that we do not talk to the US. How

will the US know what we want when it is not talking to the EU?

Mr. Higgins: Regarding the open skies policy, the Department is talking to the US authorities on the basis of one gateway. We both know that gateway will be eight or ten miles from here, at Dublin Airport, while Shannon will be left out of the equation. Once transatlantic flights are withdrawn from Shannon, Shannon is dead and buried forever.

Dr. McDaid: We are not doing that at all.

Mr. Higgins: This is why I ask the Government to treat Shannon seriously as an area which is in crisis in terms of jobs and the airport and with regard to morale there.

Dr. McDaid: We are doing that.

Mr. Higgins: There is an atmosphere of gloom, doom and despair among the staff at Shannon. Rightly or wrongly on their part, there is a belief that there is an agenda not to treat Shannon seriously from the point of view of enhancing its development. I know the Department is constrained in terms of the amount of money it can invest, but it is possible to devise a coherent, integrated plan to develop and promote Shannon. That is why I ask the Minister to listen to what I say. Those working at Shannon, and the people of the mid-west generally, will take a great deal of convincing that action is being taken. These people picked up *The Irish Times* and the *Irish Independent* last Saturday and read of a further 100 jobs being axed at Shannon Airport. This will not do and is not acceptable.

Ms O'Rourke: I am speaking on this Bill for the record. I hope that if my time is tight, the Acting Chairman will allow me to make my case and my points. I brought this Bill to Seanad Éireann as Minister for Public Enterprise, a fact to which Senator Higgins kindly referred. I remember it very vividly. One of my faults is that I have a good memory, which is currently proving a little uncomfortable.

When I brought this Bill to the House, everyone was full of high hopes because the future of Aer Lingus looked good, as it now does again, thankfully. The Bill will soon be on its merry way to Dáil Éireann. Just after the Bill was introduced, an international economic decline followed and then came the disastrous events of September 2001 which, as we all know, wrought devastation on airlines in particular and on all those who lost their lives, which none of us can forget. Large airlines tumbled disastrously. I remember the gloom which infected the entire airline industry. I recall perhaps half a dozen meetings in Brussels with Madame de Palacio and her firm statement — to say it was obdurate would be extreme — that not one euro or penny could go into Aer Lingus.

I distinctly remember the ensuing months during which there were tense meetings between me, my officials, the unions, the management, the Taoiseach and the Cabinet. The Taoiseach and I, in particular, kept in contact on a daily basis on the matter. If ever there was a time when close co-operation among everyone concerned would bring desired results, it was then. Everybody combined to save Aer Lingus.

Interestingly in August 2001, the Taoiseach and I had many telephone conversations about a new chairman. Sadly, Mr. Bernie Cahill had passed away and we had all gone to Cork to his funeral. Between the two of us, it was decided that we would approach Mr. Tom Mulcahy. I approached him, as did the Secretary General of my Department, and he said he would think about it over the weekend. We were coming to the end of August 2001. He thought about and agreed to become chairman. Nobody has paid tribute in the right way to the chairman of Aer Lingus who is a wonderful person. Nobody reads or hears about Tom Mulcahy or hears him, but he is doing a proper job as chairman. In the tense months between September and December of that year, he came into my office on a daily basis to report to me and I, in turn, would report to Cabinet. As he came in the door, he would always sing "If I knew then what I know now". Unfortunately, due to the events of September 2001, Aer Lingus was going down the tubes. He always said I must have had seventh sense to get him before it all happened.

Due tribute has been paid to Willie Walsh who was employed by Aer Lingus. The Minister or the Government of the day did not have any say in that. He is a wonderful chief executive whom I met on several occasions. Aer Lingus interviewed him and took him on. The chief executive and the chairman are a marvellous combination. Tom Mulcahy is a quiet man, a man of acumen and of keen financial views who has been able to steer Aer Lingus on to a straight path. Willie Walsh is not a bit afraid to take on anyone and to express his point of view and to ensure it holds weight.

October, November and December 2001 were tense months in the capital. As I said, there were daily meetings and telephone conversations between me and the Taoiseach. I have always admired how we worked together in that particular period. If we had not done so, if the workers of Aer Lingus had not decided it was their company and they were going to save it, which they did, and if the chairman, his board and Willie Walsh had not all worked together with the backbenchers in our party in what was a huge act of combined patriotism, it would not have been possible to bring that company out of what seemed to be a terminal spiral of decline and into a viable situation. I do not think that story has been written enough or that sufficient credit has been paid to all those people of whom I have spoken regarding what they have done for their company.

Sadly, it was necessary to seek 2,000 voluntary redundancies. It was not at all like the voluntary redundancy the late Bernie Cahill had been able to introduce in the early 1990s — in fact, it was approximately half that amount. We had to get over that huge chasm. Everyday I would get the numbers of people who had opted for voluntary redundancy, and I have such high regard for one of the officials here today for the way she handled that crisis along with me and others. I would telephone the Taoiseach to say how many had opted for it. It continued that way until, sadly, we had more than 2,000 people. I wish everybody could be employed; I am not at all in the business of cutting jobs. It is the wrong attitude to have, but it was necessary if we were to save Aer Lingus. In the end, it was done with decency and civility and with a proper sense of dignity about the people who were at the centre of it all. That was followed swiftly by all sorts of other events.

My husband had died a few months earlier and I travelled to the US with two women friends for a ten day visit. We were three days there when the disaster happened. I left and went to Brussels to a meeting. Of course, a particular airline person made much of that and of what it cost to bring me back. Thankfully, the EU paid for it, but that is a side issue. Only for the courage and the bravery of all concerned in the cameo of that three month period, we would not be here discussing this matter.

I welcome the Minister of State, Deputy McDaid. I have always had such regard for him. When we were in Cabinet together, we were friends. I noticed he said that the Government decided on 23 October 2001 to facilitate private sector investment. He went on to state that the Government decided on 16 September 2003 to facilitate private sector investment. Two years later, this echoes the Government memorandum I brought to Cabinet and on which a decision was taken. I stress there are people who, through no fault of their own, are not eligible for the ESOP arrangement as the Bill was not introduced in the House on time. I strongly urge that their needs be addressed. They have been in contact with me and I feel a duty to work to see whether their needs can be addressed.

This is a fine Bill. It is the resurrection of a previous Bill and is in effect — if the Minister of State does not mind my saying so — my Bill with a few twirls and tweaks to it. It is amazing that I am here talking about a Bill I brought forward some time ago. It is bound up with that crisis. We worked hard to turn the situation in Aer Lingus around, and thankfully we did. The backbenchers were marvellous as were the other parties. There was the ritual "yahoo" "boo boo" in the Dáil from time to time but there was a great mingling of the various parties because they all wanted the same thing; they wanted the company to be saved. My husband was dead a couple of months and it is caught up in huge dramatic and traumatic time in my mind.

[Ms O'Rourke.]

I was always satisfied with the level of work and commitment obtained from everybody during that crisis point in the history of Aer Lingus. It will occupy a good chapter in my book. In that way, the events of this time will be shown for what they were. I often think people who go through particular periods, like the workers in Aer Lingus did at that time, should get due regard. The chairman is a great person — the best for that job. They say times throw up the person and that was the case with Mr. Mulcahy, the chief executive and all the others. However, it was the people on the ground who saved the company. Again, not enough regard has been given to the comradeship which flourished during those dark days and months.

That is my input into the legislation. I pay tribute to the two officials here today. Both of them were active in the Department during that period. I always had great faith in their competence and in the way matters were directed. I felt we were all sailing in the good ship enterprise, except in this case it was the good flight enterprise and I hoped it would eventually come to a decent landing. Now Aer Lingus is leaner, fitter and has a better website than that of another person whom we shall not name. Aer Lingus does not do people down by injurious advertisements or by shouting, bragging and roaring. It goes about its business and it has become financially solvent and successful again.

Mr. Finucane: I welcome the Minister of State. I have studied the contents of the Bill. I would like to know about the future not only of Aer Lingus but of some of our airports which are intertwined with the success of Aer Lingus. The Minister of State said Aer Lingus was involved in opening up nine new European routes, but will he indicate in his reply whether any of those routes are to Shannon Airport?

There is a cloud hanging over the Irish aviation sector at present not concerning Aer Lingus so much as the situation that is evolving at Aer Rianta and what the Minister's intentions are with regard to that company. We know that one of his intentions is to break it up into three different companies for Shannon, Cork and Dublin Airports. In that case, Shannon would operate as a separate entity. Limerick Chamber of Commerce and many other organisations accept this move. The boards were appointed months ago, but they are currently operating in a vacuum so what can they achieve? In proposing to dismantle Aer Rianta, the Minister has not considered a business plan under which the airports could operate with new directors. That is important in the context of Shannon.

I wish Aer Lingus well and compliment it on its recent success in generating a profit. However, what signal is being sent to the Shannon region, and to Aer Rianta workers, by the recent news that the company is seeking a further 103 voluntary redundancies at Shannon? The ground

handling services, which are currently administered by Aer Lingus, are to be removed and, in addition, 29 cabin crew have been given six weeks to move to Dublin or lose their jobs. There are signs of depression in the area because of the situation that is evolving at Aer Lingus and the uncertainty over Aer Rianta in Shannon. It is time to create some certainty in this regard.

I am not sure what the commitment of Aer Lingus is to Shannon, but I know that the main objective of the Bill is to prepare Aer Lingus for privatisation. Some of our regional airports could be sucked into the slipstream created by such privatisation. I wonder if that is already happening at Shannon given the voluntary redundancies that may become compulsory if they are not taken up. If the Minister sheds such jobs, it will have a knock-on effect on other operations at the airport.

Aer Rianta should show us the business plan for Shannon Airport or at least give it to the new board of directors, so that the airport can operate debt-free. An injection of finance will be required so that the airport can be marketed to create new opportunities. The Leader of the House mentioned one company that she said should not be named, although I am sure she was referring to Ryanair. Some time ago, Ryanair left Shannon and went to Farranfore. Good luck to Farranfore, which is a private airport. Ryanair left Shannon because of what could be regarded as very moderate landing charges, which were introduced by Aer Rianta. Passengers using Farranfore airport will pay those charges in another way, however, because they will have to pay €6 each way to travel from that airport. That money goes to the airport's private funding. It was a contradiction and a deception for Ryanair to say it was leaving Shannon because of the increased charges, which were moderate, and then increase charges at Farranfore because it is a private airport. Ryanair took that business, which was going to Hahn near Frankfurt in Germany, away from Shannon. It was a big loss to Shannon at the time because it had created so many bednights for the local hotel industry from German tourists. Good luck to Kerry in whose direction the business has moved.

Will the Minister of State confirm that Aer Lingus is due to announce four extra flights per week to Chicago? My information is that may be the case. While those four extra flights may be announced, the airline has reduced its weekly flights to Boston from seven to five. It has been proven, however, that there is a market for flights to other airports — Philadelphia, in particular — if we can get a real commitment to provide such links. We know what is happening in the international aviation business, as well as the effect of the end of the Shannon stopover, with passengers stopping at Dublin first before flying on to Shannon. There may be more such changes in future. The Minister may say that Shannon will have to change and adapt, but business people in the mid-west region are frustrated. Prestige

employers such as Dell are operating in the area and they should be able to avail of the appropriate infrastructure and fly out of Shannon. The Minister of State knows the difficulty involved in getting connecting flights when one flies from Shannon to Dublin. One imagines that such connections would exist within the country. In the past, Aer Arann attempted to provide such a service but it later pulled out of Shannon.

There is an air of uncertainty hanging over Shannon at present, to which Aer Lingus has contributed. That uncertainty will have a domino effect on other employment unless something serious is done about it. It is all very fine preparing for an ESOP and other aspects of privatising Aer Lingus, but if it will impact on airports like Shannon, I wonder if it is such a good idea.

There is another argument going on with regard to the Government's decentralisation policy, which involves getting civil servants to move out of Dublin. It is proposed to move the Department of Enterprise, Trade and Employment to Shannon, which is fine, but while the Government is decentralising, Aer Lingus will be pulling the plug on 103 jobs at Shannon Airport, and other jobs may also be affected. There is a contradiction, therefore, when one talks about decentralisation.

One may say that Aer Lingus has to make an operating profit but I wonder whether the serious commitment to expand Dublin Airport will be to the detriment of Shannon. Is it not contradictory to say that what Aer Rianta is doing will be to the long-term benefit of Shannon? Much of the business will be whisked away as a result and it will be difficult to find alternative businesses. The board of directors that was appointed months ago for the development of Shannon should at least be given some idea of the Minister's future intentions for the airport.

I can remember sea-planes coming into Foynes, where I come from, up to the late 1940s. Aer Lingus started originally from Shannon, which was opened in the mid-1940s. There is a history of aviation in the area. IBEC, which represents business interests in the mid-west region, published a document today pointing out the barriers to success in the Shannon area. Senator Dooley is aware of the current infrastructural deficits there, which will be rectified in future. They include the Ennis bypass, which is important for development, and a tunnel under the river Shannon to remove the traffic logjam from Limerick city to the airport.

There have been dramatic improvements in the roads leading to Shannon and such infrastructural developments are necessary, including the development of the Limerick to Ennis railway line. While these developments can complement Shannon's status, there is no point providing such infrastructure if the airport's basic business activities are destined to decline. I am concerned about the long-term viability of Shannon. If Aer

Lingus is to remove 103 jobs in the cargo handling sector, I hope some other company, such as Servisair, will replace them. Without such components at the airport, one cannot attract foreign business, including other airlines. The uncertainty surrounding the future of Shannon Airport must be lifted and the Aer Rianta controversy, which has dragged on for too long, must be decided. We need action on the airport. The new committee must meet and develop a business plan and avail of marketing expertise to secure the future of Shannon. The airport is important not only to Shannon but also to the entire mid-west region.

I am concerned about this region and I hope the Minister of state will outline Aer Lingus's plans for Shannon Airport, which has been vitally important for a long time, when he replies.

Mr. Daly: I thank the Minister of State for coming to the House and for his work in the aviation industry generally. I congratulate him and wish him well in the European elections following his selection as a candidate last Saturday. He will go to Europe at an important time for the aviation industry, given that negotiations are under way on an open skies policy and on the future of Europe-US travel.

Mr. Bradford: The Deputy's county might elect its own woman to Brussels.

Mr. Daly: I agree with much of Senator Finucane's contribution. I acknowledge the contribution Aer Lingus has made to the development of the economy nationally and regionally, especially in Shannon and Cork. The company emerged from a difficult period following 11 September when most airlines were in crisis. It was no different for Aer Lingus during this period of instability in international politics, uncertainty in many economies and intense competition. The company's emergence from this traumatic period is a compliment to the board of management, chief executive, Willie Walsh and Tom McInerney and others at Shannon Airport for their work in stabilising the performance and financial health of the company. Aer Lingus lost €52 million in 2001 but, within a year, that was transformed into a profit of €25 million. That was a dramatic turnaround in a short period and it was due in the main to the company's dedicated staff who made sacrifices and adapted to change so that the airline could survive in the national and local interests.

During that time, 2,000 people were displaced and, unfortunately, more redundancies have been threatened. Voluntary redundancies have been sought at Shannon Airport. I agree with Senator Finucane that there is deep anxiety and concern among the workers there at the recent job losses, especially as this legislation passes through the Oireachtas. There is a deep suspicion in Shannon and throughout the mid-west that the management of Aer Lingus is not fully committed

[Mr. Daly.]

to the development of the airport. That is not my view and I received an assurance from the general manager and others in Aer Lingus that this is not the case but, whether it is, the staff at the airport, together with the local population, feel the company is more concerned about opening new routes, expanding the business in Dublin and the financial survival of the company than the position of Shannon Airport. This feeling cannot be dispelled easily but its needs to be remedied and rectified soon.

At a time the Government is engaged in a decentralisation programme, Aer Lingus is centralising its services, as Senator Finucane said. This is contrary to Government policy. Young people working for the company are being offered the option of moving to Dublin to continue their employment. This is tantamount to saying there are no jobs for them in the company but that is not the case.

I refer to the share option scheme. The share option arrangement should be offered to those who are considering voluntary redundancy at Shannon Airport. Even though I am critical of these redundancies, it is important that the stability, development and long-term survival of the airline should be ensured. If there must be redundancies so that the company remains viable, we are prepared to live with them in the hope that when it is financially viable again, it will be possible to restore these jobs quickly.

I have not read Senator O'Toole's amendment but I agree with its spirit. Flexibility is provided in the proposed arrangement. Many of the people who recently left the airline are part of the share option scheme introduced in 1996 and they should be accommodated. The new arrangements should apply to them. Senator O'Toole stated the electricity supply Bill provided a mechanism to deal with such a scenario and I urge the Minister of State to examine whether such a mechanism could be provided in this legislation.

The management of Aer Lingus succeeded, in its efforts to restructure the airline, to reduce the cost base by 22%. The workers at Shannon Airport are concerned by the new arrangements for transatlantic routes during the upcoming season. Senator Dooley and I met employees last Friday and they were distraught at the news of redundancies and transfers from Shannon to Dublin. They put forward a proposition whereby Aer Lingus could base flight EI111, which currently operates between Dublin, Shannon and New York, at Shannon Airport and put the passengers who travel between Dublin and Shannon on the Chicago route. By basing flight EI111 in Shannon Airport, many of the voluntary redundancies would not be necessary and many of the employees who are being offered transfers to Dublin Airport could remain at Shannon.

The Shannon-Dublin transfer proposal has been deferred as part of the discussions in the Labour Court. The employees' proposal should be examined again in the context of the loyalty

the staff has shown to the airline in accepting voluntary and compulsory redundancies and significant inconvenience.

It would be a small measure of recognition that the board and management of Aer Lingus in Dublin are concerned about the future of Shannon. We believe the future of Shannon is linked to the future of Aer Lingus. Shannon is as important to Aer Lingus as Aer Lingus is to Shannon. To centralise the company entirely in Dublin would be detrimental to the airline, which would not be able to cater for the numbers involved.

Aer Lingus should consolidate its business in the United States and look at the prospect of establishing a central base in Europe for the development of business there. This would copperfasten the future security of the airline.

The Bill will be wholeheartedly welcomed by the staff of Aer Lingus, provided we make the small adjustments necessary to underpin the confidence of the company's employees.

Mr. Quinn: I welcome the Minister. I have the odd feeling tonight of having gone to a funeral only to find myself saying, "Is this not the same poor fellow we buried four years ago?" That has never happened to me in real life and until today it had not happened to me in my 11 year career as a legislator. Talking about funerals is not inappropriate on this occasion. Many Members will remember the atmosphere in this House on a sunny day in June 2000 when we rushed through the Aer Lingus Bill 2000. I am sure the Leader remembers it well because she was the Minister responsible at the time. There was the air of a wake on that evening as Member after Member recalled their nostalgic memories of the Aer Lingus we had grown up to love and be proud of.

The purpose of that Bill was to approve the Government's decision to sell off the airline by means of an initial public offering, an IPO. There was some urgency about passing the Bill because it was felt there was a window of opportunity which had to be taken advantage of. Most of us felt that selling off the airline in that way was inevitable and that we did not have a choice in the matter. We saw it as the only way forward if the airline was to survive.

What do we find today? The airline we waked with such enthusiasm four years ago is not dead at all. It is not even at death's door. Despite having had a close brush with failure in the meantime, it has transformed itself, through a survival plan, into a highly successful and profitable company. What is more, it has succeeded in doing this while remaining in public ownership. Our reaction to this should be to congratulate everyone concerned. They deserve that. The Minister of State, Deputy McDaid, has been actively involved in this area in the past few years. I congratulate the management and, particularly, the staff of the airline. The staff have made many sacrifices to make the survival

happen. I do not begrudge them the 15% share in the company, which is one of the purposes of the Bill.

We must look again at the need to sell off the airline. It may seem inconsistent to have been in favour of an IPO four years ago and now to ask questions about the issue of a sell-off. However, there is an important difference, which is a cardinal point of principle. When the Leader brought the previous Bill before us, we were presented with a done deal. The Government had approved the IPO, consultants had been engaged to start the process and make it happen and the purpose of the Bill was to give legislative sanction to that process. The House was asked to endorse a Government decision that had already been taken and it did so. It was, to us, the correct thing to do.

Time has passed, circumstances have changed and the idea of an IPO died a death along the way. So did the Aer Lingus Bill 2000. We are now being asked to buy a horse of a different colour. The question of selling the airline has been put on the table again, not through an IPO but probably through a trade sale. However, no Government decision on this matter has yet been taken. Let me say that again. No Government decision on this matter has yet been taken. The Minister for Transport has not decided what is the right way forward. Until he decides, the Government as a whole will not become involved. In discussions about the matter the Minister has freely acknowledged there is much to be said on both sides of the issue.

The question of the future of the slots Aer Lingus holds at Heathrow has been raised repeatedly. They are an important national asset but the country does not own them. Aer Lingus owns them.

Dr. McDaid: We do not own them.

Mr. Quinn: They are a national asset owned by Aer Lingus. If we lose control of the airline we lose control of the slots, which could have a devastating impact on our tourism industry. This is not a fanciful scenario. Consider what has happened in the past few years on the telecommunications front where the privatised Eircom has been systematically obstructing and undermining the key national priority to roll out broadband and to make it accessible to the whole country at a reasonable price.

There is much to be argued on both sides of the Aer Lingus issue. The Minister and the Government have not made up their minds. Nevertheless, we are being asked to make our minds up and give a blank cheque to the Government on this critical matter of national importance. Why the need for this blank cheque? Thanks to the uproar in the other House and the way Deputies greeted the original Bill the amended Bill includes a saving clause, section 3(5), which states: "The Minister for Finance may not dispose of any shares in the company without

the general principles of the disposal being laid before and approved by Dáil Éireann". However, now that this concession has been squeezed out of the Minister, the need to include the power to sell shares in this Bill is fatally undermined. As the measure has come to the Oireachtas for approval, why not do so by means of a two section Bill? On many occasions in the past the Oireachtas has shown it is capable of responding quickly and urgently, so urgency cannot be pleaded in objection.

I cannot stress too much my objection to incorporating a blank cheque into legislation, especially into legislation concerned with the future of one of our main national assets. If the Government brings a decision before the Legislature for approval it gets that approval after the necessary scrutiny. Putting a complete blank cheque into a Bill removes that essential element of legislative scrutiny. We must not — I hope we will not — make laws on the principle of "whatever you're having yourself, sir". This is the important issue which lies at the heart of the Bill before the House and it is why I cannot support it in its present form.

I urge the Minister to think again and to follow through the natural consequence of the amendment already accepted by deleting section 3 altogether.

Ms White: I would like to share my time with Senator Mansergh.

An Cathaoirleach: Is that agreed? Agreed.

Ms White: I welcome the Minister of State and the officials. I wish the Minister of State every success in the forthcoming European election. I am privileged to know Aer Lingus from many different angles, first as a young person coming to the city in the 1960s, as a customer and as a supplier. When I came to Dublin in 1962, the Aer Lingus air hostess was an icon for young Irish women, in the way that the Russian ballerinas are icons and role models for Russian women. Right through time they have been impeccably groomed, professional and role models for women. Due to the marriage bar, I had to give up my job in the Civil Service in 1969, but I had a skill and was able to walk into a job in the architects' department in Aer Rianta after my honeymoon. In 1969, I experienced modern management for the first time when the then chief executive of Aer Lingus, Mr. Michael Dargan, would join the staff for lunch at a different table each day. This was revolutionary, as the style of management here as in the UK was hierarchical, with the bosses having their own restaurant, carpark and so on. I was spellbound to be sitting at lunch with Mr. Dargan.

I have listened to all the contributions on this Bill but my interpretation is different. Senator Ross said the 14.9% staff equity would be off-putting to private investors. I do not see why that

[Ms White.]

is the case. The Aer Lingus staff have earned their share of the company. Aer Lingus is a flag ship company and was the first to brand the image of Ireland abroad. Long before Baileys was ever heard of, Aer Lingus was the most well known brand and everything about it was perfection and professional.

Public sector expansion was the culture of the mid-1970s and was encouraged in the 1977 Fianna Fáil budget as a way of dealing with unemployment. I do not condemn Aer Lingus management for the company's financial difficulties because the culture was to take on more public sector employees. With the benefit of hindsight, one can say that was not the correct thing to do. However, the company had to face the stark reality of competition and the late Mr. Bernie Cahill, who was outstanding, put forward a plan and succeeded in getting Aer Lingus back on track. It was a tragedy that he died suddenly. Let me say categorically that I do not blame anybody in Aer Lingus for the over expansion because, among others, I benefited from public sector expansion.

In the late 1990s, the economy contracted. At a time when the Government intended to prepare Aer Lingus for the initial offering, industrial relations problems arose in Aer Lingus, as well as foot and mouth disease and the events of 11 September 2001 in the US. With the effects of foot and mouth and 11 September 2001, the contraction in business at the airport was frightening. My experience of trading with Lir chocolates in Dublin Airport at that time was a disaster. The contraction in international air travel put pressure on all airlines around the world.

Senator McDowell presented a pessimistic scenario, but people will come to Ireland if we have something good to offer them. It is the law of supply and demand. The purpose of the Bill is to ensure that Aer Lingus employees benefit from 14.9% in the employee share ownership trust. As I said already, one of the main factors driving the success of the Celtic tiger has been the relationship between unions and employers.

Dr. Mansergh: I welcome the Minister to the House and I support the Bill. I think Senator Quinn used the wrong metaphor. When one is buying or spending, one can talk about the blank cheque but when one is selling, the blank cheque metaphor does not make sense.

Air transport is of significant strategic importance to this country. Mr. Seán Lemass saw it as the most important innovation in his lifetime in reducing peripherality. I am personally very proud that the previous Government and our Leader introduced the employee share ownership plan, ESOP, mechanism for a 14.9% worker shareholding in State companies. That was a highly progressive social measure. It was also a tremendous achievement to overcome the crisis of the events of 11 September 2001 and the

Leader has spoken most eloquently about that aspect.

I share the concerns expressed in the House on two issues. While I accept that Ryanair has had great success in getting people to visit the country, Aer Lingus has the strategic routes and the slots at Heathrow and flies to mainstream airports. It is very important and I would hate to see, in a future privatised company, the slots or routes sold off for short-term monetary gain. I also share concerns about the mid-west and the role of Shannon Airport. While I do not think the protectionism resorted to in the past is the answer to Shannon Airport, which is very important for the whole of west Munster, the arrangements have to guarantee its future role. It is not purely a question of air transport. It is also a question of the national spatial strategy, balanced growth and development and proper industry and services for Shannon. It is one of the regrets of my lifetime that where Shannon was the country's premier growth centre during my childhood and up to the 1960s, it is not any more. Shannon Airport should play an important role and I want to see it do so.

Mr. Ryan: Everyone in Ireland feels an emotional twinge about Aer Lingus in a way that was never true of Eircom. I am not sure why that is the case. Perhaps it is because Aer Lingus is the company we identify most with our achievement of a degree of modernisation or perhaps it is a symbol of our independence.

I was born long after Aer Lingus was founded and I remember the return of its cancelled transatlantic service. The country felt an enormous sense of pride about the return of the service. Looking back, it is difficult to understand how anybody could have considered the provision by our national airline of a direct transatlantic service to be unsustainable given the extent of connections between this country and the USA. On the parts of the west coast that I know best, people identify more closely with the eastern United States than they do with London as that is where their families have moved. There are people I know whose knowledge of the geography of Springfield, Massachusetts, is much better than their knowledge of areas of London. Indeed, 20 years ago, their knowledge of Springfield was greater than their knowledge of Dublin. Aer Lingus pushes buttons with us which is why we must be careful not to allow emotion, or its absence, to determine how we consider it.

The employees of Aer Lingus have earned the right to their 14.9%. They have responded extraordinarily well to very difficult circumstances. It is worthwhile making a random check on the Internet to compare Aer Lingus fares to those of other airlines which claim to provide low fares. It is one of the unfortunate facts of my life that my name forms part of the name of an airline the achievements of which I am not inclined to praise too highly. I cannot do anything about it as I do not own the copyright. If one picks a date a fortnight from now and

compares available prices, one will find that the difference is insignificant. In fact, the highest airfare I have seen paid on my behalf for travel to Britain was to Ryanair. I was travelling on Oireachtas business and the cost of the flight was €220 single from Cork Airport to Stansted due to late booking. I hasten to add that I was not paying. Had I known about the cost, I would have objected, but by the time it was booked I had no say in the matter.

While Aer Lingus has achieved a great deal, I am unpersuaded that share options for employees should be any more than a just reward and a stake in the company's future. As a preliminary to privatisation, I am unconvinced of their utility. I do not have a great deal of ideological baggage when it comes to public ownership or privatisation. As Seán Lemass always said, one should look at the merits and demerits of each case. We would never have had a national airline if the State had not established it. We would never have had modern airports if the State had not set them up and there would be no railway network if the State had not sustained it. There is a very long list one can go through while questioning the wisdom of the State with a significant degree of 20-20 hindsight. Without the State there are many things our society would not have. We would not have our high technology industries if the State, in the person of Dr. Patrick Hillery, had not established the regional technical colleges. The colleges represented the most revolutionary change in Irish third level education in 100 years.

The State's decisions to get involved in areas some people nowadays regard as unusual were largely justified by the outcome. Aer Lingus is a classic example. I am very reluctant to concede fundamental changes which transfer ownership of airports or the national airline until I hear a coherent case for doing so. I need to be convinced. I would like to see the business case in each instance and the economic arguments. I am very sceptical about the gung-ho beliefs of individuals and business communities in Cork and Limerick that if the burden called Aer Rianta was lifted from their shoulders, we would see wonderful, thriving airlines. I am entitled, as a citizen of Cork, to be convinced that what these people want will be good for my region. I am profoundly unconvinced at present. The leaked proposal of a mish-mash of interlinked, confusing debts will make Aer Rianta four times more complicated with half the accountability.

I do not care who owns our airports as long as they do what they are supposed to, but I am unconvinced about the current proposals. I take a similar view on Aer Lingus. It is much too easy to blame Aer Lingus for its own woes. It is worth reminding ourselves that in the 1980s, it was instructed by Governments of different political complexions to retain a transatlantic service which was losing vast quantities of money. The airline was subsequently blamed when the losses threatened its balance sheet. It is hard to blame

the airline for the crises which followed 11 September 2001 and the foot and mouth disease outbreak. The company was not at fault, but its response was remarkable and considerable.

The high prices which everybody talks about were wrong. However, they were not the fault of Aer Lingus. We should remember that the Dublin-London route was a cosy cartel between Aer Lingus and British Airways, sustained enthusiastically for years by Mrs. Thatcher to fatten up BA before she privatised it. We would not have been permitted to introduce competition by the other sovereign state involved because it would have undermined Mrs. Thatcher's pet project. It is rich to blame Aer Lingus for cashing in on an established scenario which both Governments, particularly the British, supported.

I am not convinced in principle that efficiency, flexibility or future funding are reasons to privatise Aer Lingus. Already, its decoupling from the large local airports at Cork and Shannon is a matter of great concern. It is now impossible to fly on an Aer Lingus flight and have one's baggage transferred directly to Cork. Aer Lingus will not transfer baggage from its flights to Aer Arann or from Aer Arann flights. That adds two hours to a journey to or from Cork. It is a decision Aer Lingus has taken for the sake of efficiency but it is not in the public interest.

As Senator Ross said, and I agree with him, a privatised Aer Lingus will either be tied up in a series of knots which will make it impossible for it to function or, once sold off, will be very vulnerable. Some of its most attractive assets, in particular, the Heathrow slots, might be sold off in precisely the way Eircom sold off its best asset, Eircell. There are reasons of real national interest to prevent that and the best way to do it is to retain Aer Lingus in public ownership.

Mr. Browne: I need to ask a question of the Minister of State. In the Dáil, an amendment was put down previously to the effect that any decision about the future disposal of Aer Lingus would come before the Dáil.

An Cathaoirleach: We are in the Seanad.

Mr. Browne: In fairness——

An Cathaoirleach: According to the business ordered today, the Minister must reply now.

Mr. Browne: This is a factor in the voting. Will it come before the Seanad as well?

An Cathaoirleach: Will the Senator please resume his seat? I call the Minister to reply.

Mr. Browne: There are two Houses of Parliament. It is a major factor in our voting.

Minister of State at the Department of the Department of Transport (Dr. McDaid): After all the debate this afternoon I find it impossible to

[Dr. McDaid.]

deal with all the issues, including the slots about which there is much confusion. I shall deal first with those who are opposed to the Bill, namely, the Labour Party and Senator Quinn. Senator Quinn commenced by saying he felt there was a wake in regard to four years ago. If there is a wake, the person tends to be dead. I would rather describe it by saying the person, or the company in this instance, was quite ill. It came back and recovered through the good work of all who have been associated with it. I would like to be associated with it as well.

Unfortunately, when one has a severe illness, there is another phrase that can be used, that one is in remission. Currently, Aer Lingus is in excellent health; it is in remission. There are numerous viruses circulating all the time which I would put under the aviation volatility virus umbrella, which encompasses SARS, foot and mouth disease, Iraq and 11 September 2001. We have a healthy company at present in a volatile area. The Government has not made any final decision on this matter and is leaving it open. This has been provided for in the Bill because, in the event of a decision to privatise this company, the ideal situation is that we would be able to proceed within a time as matters can drag on. The previous Act was in 2000.

With regard to the other issues raised by Senator Ryan, I like the words “emotional twinge” about Shannon. I wish to be associated with it. Most people would have an emotional twinge about Shannon Airport and we would all like to see the future of Shannon secured. I take into consideration the genuine fears expressed by Senators Daly, Dooley and Finucane, who are from the region, and by others about the sensitivity of Shannon and the perception concerning the position there in recent weeks.

Senator McDowell referred to the loss of direct services at Shannon. I do not necessarily feel we should privatise all areas. I have no hang-ups about privatising certain areas. I see no reason that the State should have an interest in forestry, ports and other areas. There are certain other semi-State companies for which I would have an objection to privatisation, as I had when Minister for Tourism, Sport and Recreation. I do not have any problem with the privatisation of Aer Lingus. I do not have any problem with the privatisation of airlines, but I have a certain reservation about the privatisation of airports. As Senator White pointed out, Aer Lingus is a strong brand with an equally strong Irish identity. I do not believe an investor in that brand would abandon its core market and cease to operate direct services on very profitable routes, thereby leaving a gap for a competitor to come in and exploit. Such a decision would not make economic sense. Certain people appear to think that suddenly the island of Ireland will disappear from the map. Direct

services will always outperform indirect services if the fares are competitive. That is the type of Aer Lingus we have today. I do not necessarily agree with that part of it.

With regard to the ESOP, I have asked my officials to look at what is being proposed in the amendment. I would have reason to believe we should go along with this issue. The Senator has made a good case for it. I have some statistics from Senator Dooley which indicate that the number of people involved — this will have to be verified — would be approximately 300. Therefore, we are talking about 4,000 workers who have a certain number of shares. Those shares amount to 7,700 shares per employee. If the other 300 are included, that would be reduced to 7,200. Where is the major problem with accepting the amendment?

There are other issues that have been pointed out to me also. On a quick perusal of the legal documentation of the ESOP deal which was signed by all the parties, in other words, the Department of Finance, the Department of Transport, the unions and Aer Lingus, amending this legislation would have no impact on who is entitled to receive the shares. I will take a look at it because in the original legal documentation on ESOP there is a definition of “eligible employees” and a definition regarding the relevant date. I will take a look at that area to see what can be done because the shares are required by the trust. As I indicated, Senators may also get their own legal advice on the matter.

I understand there is some confusion in regard to the slots at Heathrow Airport. I should clarify that Ireland does not own any Heathrow slots. These slots are held by Aer Lingus on the basis of grandfather rights, which are rights of historic precedence. Heathrow is the largest international hub in the world and is an important part of the Aer Lingus network. It is, therefore, essential that we continue to have access to this hub even though there is an increase in direct services from Paris, Frankfurt and Amsterdam. I have been involved in all the meetings of the Council of Ministers and this matter is being discussed at a ministerial level. The rules being discussed by the EU are silent on the issue of the sale of slots. However, my reading of the situation, from the way the EU is discussing the issue of slots and a change of ownership — if an airline happens to be taken over — is that these slots would be transferred to the new owner.

Aer Lingus has been a successful company. Concerns have been expressed following the recent announcements of job transfers and job losses at Shannon Airport. As I said last night, I do not propose to comment on individual industrial relations matters which are ongoing. As already mentioned, Senators must appreciate that Aer Lingus operates in an environment which is becoming more competitive with ongoing

pressure to reduce its fares. This can only be achieved if costs are reduced. Where would the Shannon area be without Aer Lingus and *vice versa*? However, I reiterate that we have been at all times informed by Aer Lingus that it is committed to maintaining operations at Shannon, especially its US services. I accept the reservations of Senators but I will not make a political point. My party and its representatives in the Shannon region have shown their commitment to the region by putting their positions at stake. I assure Members that the Government has no intention of abandoning Shannon.

Members referred to the EU-US discussion on the open skies policy. Fine Gael and the Labour Party in the Dáil asked the Government to abandon its talks with the United States. A court of justice has decided on this issue and it is inevitable that the United States will negotiate with Europe in regard to airspace. We are in constant talks with the United States. If there is an inevitability about the EU-US talks, where would Ireland be if not talking to the United States so that it takes our concerns on board when negotiating in an EU context? The Opposition in the Dáil yesterday asked the Government to abandon that position. This issue is misunderstood. The Opposition sought to have the talks abandoned but, if that was the case, how could the US know our position when negotiating on an EU-US basis?

Mr. B. Hayes: They are shaking in their boots.

Dr. McDaid: I will bring the points raised to the attention of the Minister and they can be discussed on Committee Stage.

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

Senators: Vótáil.

An Cathaoirleach: Will the Senators claiming a division please rise?

Senators McCarthy, McDowell, O'Meara and Ryan rose.

An Cathaoirleach: As fewer than five Members have risen I declare the question carried. The names of the Deputies who stood will be recorded in the Official Report.

When is it proposed to take Committee Stage?

Ms O'Rourke: Next Tuesday.

Committee Stage ordered for Tuesday, 9 March 2004.

An Cathaoirleach: When is it proposed to sit again?

Ms O'Rourke: Tomorrow at 10.30 a.m.

Adjournment Matters.

Rural Transport Initiative.

Mr. Bannon: I welcome the Minister of State. Longford Community Resources is a joint Leader partnership company covering the entire county. Surveys undertaken in Longford indicated a great need for a rural transport service in the county, particularly the northern part, which is a CLÁR-designated area. In 2002 the north Longford transport working group was formed, which consisted of representatives from each community in the region, public health nurses, Leader and other State agencies providing services in the area. All worked together to prepare a rural transport plan which subsequently received funding of €95,000 for implementation by ADM through the rural transport initiative of the Department of Transport. This funding came from the National Development Plan 2000-2006.

Since the new transport routes were set up, the transport services have received a wonderful response from local communities. More than 1,500 elderly passengers have used the service with great enthusiasm; it enables isolated rural people to travel to go shopping, attend medical appointments, visit banks and solicitors and renew friendships, all of which increases their health and independence and improves their quality of life. Use of the services has been monitored, and more than 95% of users hold free travel passes, 80% are female and 20% male. In addition, 93% of users are over 65 years, which proves the service is of enormous benefit to north Longford.

I have received many inspiring letters from some of the service's elderly passengers which outline what the service means to them. It has given many elderly people in the area a whole new lease of life. They look forward to weekly trips to Longford and Granard as they meet friends and neighbours on the bus and can catch up with local news. Meeting friends for a cup of tea in a neighbouring town can be a highlight of their week.

The rural transport scheme is an important social outlet for vulnerable old people who often feel isolated and excluded from modern life. A letter sent on behalf of pensioners in the Dromlish-Ballinamuck-Granard area states how much they appreciate the bus service: "This service is a godsend. We can visit the shops, the library, health clinics, banks or solicitors without any worry or problems."

Grave concerns have been expressed to me about future funding by the Minister of State's Department which is needed to maintain this

[Mr. Bannon.]

important service and many elderly people with reduced mobility have pleaded with me to contact the Minister on their behalf. This service has changed their quality of life for the better and in the interests of the elderly I plead with the Minister of State to ensure full funding is restored to the rural transport scheme in north Longford. The Minister of State launched this scheme himself and the Minister for Community, Rural and Gaeltacht Affairs has looked into the scheme also. I know the Minister of State brought the manager of the Longford service to his own county to try to start a similar service in Donegal.

The service gives value for money and I appeal to the Minister of State to retain it for the elderly people of Longford, which is a rural county with limited services. This service has given the elderly a new lease of life and I plead with the Minister of State to ensure the funding is in place for it. Earlier this year Longford County Council backed me in a resolution supporting the service and I am sure people from Longford have been in contact with the Minister of State in this regard. I await the Minister of State's response with bated breath and hope it is positive.

Minister of State at the Department of Transport (Dr. McDaid): It is a pity the Senator cannot be truthful with the pensioners he purports to support. Instead of telling them there has been a cut in Government funding he should tell them there has been a 20% increase. He has confused the people working on this worthwhile initiative. The issue has been confused by the Senator's use of the word "cutback" when there has been an increase. Mismanagement by the group concerned is the problem here, rather than any cutbacks, and I explained that to the group when I met its members today.

ADM Limited has been managing the pilot rural transport scheme, the rural transport initiative, since 2001 on behalf of my Department. The RTI provides funding on a pilot basis for community organisations and community partnerships to address the particular transport needs of their rural area by actively engaging in the provision of transport services. Specific allocations for individual RTI projects are made from this funding by Area Development Management Limited.

Some €3 million has already been provided annually by my Department for the initiative in the two year period ending December 2003 and further funding of €3 million is being provided in 2004 — there is no reduction. This €9 million commitment so far compares with € 4.4 million earmarked for the RTI in the national development plan. In other words, there has been an increase of 50% or more.

The RTI is now operational in virtually all counties and 34 community transport groups are

being funded under the initiative. Some 2,500 transport services are being provided on approximately 380 new rural routes established under the initiative and approximately 20,000 people are using the RTI transport services every month.

I understand from ADM that for a variety of reasons the drawdown of RTI funds in 2002, when it was set up, by transport groups was slow resulting in a substantial carryover to 2003. We did not take the funding away; we carried it on to 2003 and gave it back to them. This carryover was boosted by the €3 million allocated by my Department in 2003. In addition, we arranged that the free travel scheme of the Department of Social and Family Affairs was extended to the RTI last July and some €500,000 was made available to the various projects.

Significantly enhanced funds were therefore available for the RTI in 2003. By the end of the year all 34 RTI groups, including the Longford Community Resources Limited RTI project, operating under the name North Longford Transport Initiative, had become operational. Indeed, many of the projects had expanded their services significantly from those originally proposed for the 2003 funding allocations. In contrast to 2002, practically all of the available funding for the RTI in 2003 was expended during that year.

I understand from ADM that the RTI funding allocation for the years 2002 and 2003 for the north Longford transport initiative was €101,349. However, only a minimal amount of this funding was expended in 2002 because the project was not in a position to roll out its services in that year, which I understand and accept as being reasonable in a roll-out year. This resulted in a disproportionate amount of the two year allocation, some €93,652, being concentrated in one year — 2003. In addition, the company was allocated €6,720 from the allocation for the free travel scheme in 2003. I am informed by ADM that the 2004 RTI allocation for the north Longford transport initiative is €58,064 but this does not include any allocation in respect of the free travel scheme or any funding which the project might acquire from other sources.

As the House can see, there has been no reduction in the annualised funding available for this project. A total of €101,349 was allocated to the project for the two year period 2002-03, of which €6,349 was for pre-development work. Thus, €95,000 was available for transport operational purposes over the two years, which averages out at €47,500 per annum. The allocation for 2004 is €58,064, which does not include the free travel element, which has yet to be allocated to the group. Therefore, on an annualised basis, there has been an increase in the funding for the project of 20% to 25%. There is every indication that the rural transport

initiative has been an excellent success so far. I was in north Longford and saw for myself the success of these schemes, especially for the people they serve. The effectiveness of the overall scheme is being evaluated by Area Development Management Ltd.

In this instance, the project has been politicised, instead of understanding that in a first or draw down year certain moneys will not be spent but that on an annual average there has been an increase in the amount of funding given to this initiative. I am looking into this because I understand these genuine people want these services to be continued. I am trying to find the extra funding to allow us to overcome these mistakes which were not of my Department's doing or the result of Government cutbacks. Mistakes were made at local level and I am trying to overcome them.

Mr. Bannon: I am shocked and disappointed but not surprised at the Minister of State's opening remarks.

An Cathaoirleach: The Senator cannot comment on that.

Mr. Bannon: He blamed Leader in Longford, which is very unfair of him.

An Cathaoirleach: Senator, resume your seat please.

Flood Relief.

Mr. U. Burke: I thank the Cathaoirleach for allowing me to raise this issue and selecting it for debate.

We are again looking at a monumental waste of public funds on this project and I welcome the Minister of State at the Department of Finance, Deputy Parlon, who has had his hands on this project. He participated in some of the launches we had with regard to it.

Since the serious flooding in south Galway in 1975, a series of reports, studies, assessments, designs and work has been carried out, at a cost of approximately €3 million. The famous Peach report, which was commissioned at the time, was to have been the answer to all the drainage problems in south Galway but is now an academic study. Dúchas and local authorities were involved in trying to find a resolution to the problem as well as many other agencies. However, at all times when I was a Member of this House and the Lower House, I doubted the sincerity of the commitment of Ministers to the project.

The Minister for Finance allocated funding to it in the budget and I thought we then had a statutory allocation. Alas, the project has come to a standstill without any of the fanfare with which the Minister of State participated in in his glory days. The Minister of State at the time, Deputy

Treacy, launched the project on five occasions and, for political advantage in the run up to elections, stated that it was proceeding. This seems to be the case elsewhere too.

We have had no benefit from this project despite the fact that €3 million has been allocated to studying it and €3 million has been allocated for the implementation of works. We had identified Termon, Cregaclare, Peterswell and Ballinderry as the areas which would benefit. The Minister of State showed and named the townlands and farms that were to benefit in the local newspaper, all of which were written to individually and told the way in which they were to benefit from these works. Now that has all gone.

Will the Minister of State clearly indicate what has happened and what went wrong? I understand the reasons and sympathise with the concerns of farmers in the Craughwell area who were the victims of the movement of water from an upper area downwards. However, further works to alleviate the problem of water moving from A to B could probably be undertaken if there was determination. Surely, a reason could have been found to start from the sea upwards in order to alleviate any problems that would arise in the land which falls in the middle in the Craughwell area. These are serious concerns with which I sympathise.

However, it is wrong for local government politicians to say in Craughwell that they had the money for the project taken back and, if they are in Termon or Ballinderry to say the Minister was an awful man to give the money back to the Government rather than spend it to the benefit of people in that area. Cost-benefit analyses have been carried out in various places, which have shown it would have been of benefit to the area.

Can the Minister of State clearly state, without the equivocation of which he is so fond, why this project has been abandoned, where the money has gone and how much public funding has been wasted to date?

Minister of State at the Department of Finance (Mr. Parlon): I presume the drainage project to which the Senator refers is the flood relief scheme proposed for the Aggard Stream in Cregaclare, Co. Galway.

Mr. U. Burke: The Minister of State is being very cynical.

Mr. Parlon: I want to be very specific because the Senator has been colourful in the terms he has used and I want to answer everything clearly.

A scheme for this area was developed by OPW and the proposed works were placed on public exhibition in February-March 2002 as required by the Arterial Drainage Acts. A significant number of observations were received in response to the public exhibition expressing concern that the

[Mr. Parlon.]

works would exacerbate the flooding already occurring in areas downstream of the Aggard Stream. The technical advice available to the OPW did not support this view. Nevertheless, to address the concerns that had been raised, OPW agreed with Galway County Council to carry out additional river maintenance works on the council's behalf on the Dunkellin River. The estimated cost of the Cregaclare scheme and the additional works was approximately €2 million. However, further objections were received from the residents and the landowners along the Dunkellin River who remained unhappy with this proposal and requested further substantial works. I met with representatives from the area and OPW officials had a number of further meetings in an effort to resolve the situation. However, it was made clear that the landowners were not prepared to allow OPW to proceed with the Cregaclare scheme. In the circumstances I had no option but to decide in September 2003 that the Cregaclare scheme could not proceed. All those who had submitted observations in response to the public exhibition were informed of this decision in writing.

The Senator mentioned a figure of €3.5 million. The background to this is that in February 2000 the Department of Finance sanctioned expenditure of €3,174,345, £2.5 million, on flood relief works in south Galway. The sanction stipulated that any works undertaken would have to avoid unacceptable environmental consequences, offer a reasonable cost-benefit ratio and, of course, fully comply with all relevant legal requirements. The south Galway steering committee was established to consider what works could be carried out within the terms of this sanction. I know Senator Burke is familiar with the work of the committee and with the extensive efforts made to examine all options for flood relief works.

The committee examined the possibility of carrying out flood relief works in the Termon,

Kilchreest, Mannin Cross and Kiltiernan-Ballindereen areas but none was considered viable for economic or environmental reasons. A proposal to replace culverts at Kinvara was approved and carried out by Galway County Council with funding of €243,000 from OPW. A total of €163,330 has been spent in investigating the feasibility of works in the above areas and in bringing the proposed scheme for Cregaclare to public exhibition.

Lest there be any misunderstanding, I would point out to the Senator that the Department of Finance sanction of February 2000 conveyed approval to OPW to spend from its existing allocation and was not an allocation of additional funding to OPW for south Galway. I would therefore like to stress that there is not a sum of money being held to one side that can only be spent in south Galway. I must also point out that flood relief works had been carried out by OPW at two other locations prior to the establishment of the south Galway steering committee. A scheme was carried out in the Lacken-Ardrahan area in 1996-7 at a cost of €86,196 and on Bridge Street in Gort town in 1997, at a cost of €333,986.

I am very aware of the impact flooding has had on the people of south Galway and I have met many individuals and representative groups over the years who have been directly affected. The onus was on me as Minister of State with responsibility for the Office of Public Works to satisfy myself that everything possible had been done to find acceptable solutions. I am satisfied that the OPW has made strenuous efforts over the years to identify flood relief works that could be carried out in south Galway within the relevant criteria. Apart from those works outlined above, it is regrettable that it has not been possible to do more due to a combination of environmental and economic constraints as well as local objections.

The Seanad adjourned at 9.05 p.m. until 10.30 a.m. on Thursday, 4 March 2004.